



**ESSEL FINANCE BUSINESS LOANS**  
**LIMITED**

**KYC AND AML POLICY**  
**MARCH 2017**

# **POLICY ON KNOW YOUR CUSTOMER AND ANTI MONEY LAUNDERING MEASURES**

In terms of the guidelines issued by the Reserve Bank of India (RBI) on 'Know Your Customer' (KYC) Guidelines-Anti Money Laundering Measures for Non-Banking Financial Companies (NBFCs) and master directions issued by it from time to time, the Board of Directors of Essel Finance Business Loans Limited (The Company) has adopted and approved Policy on the "Know Your Customer [KYC] & Anti Money Laundering [AML]" to set a standard for prevention of money laundering activities and to follow certain customer identification procedure for opening of account while dealing with the customers. This policy is applicable across all branches of the Company and be read in coordination with guidelines/instruction issued in this regard from time to time. The Company is always committed for transparent and fair dealing with customers and other stakeholders ensuring adherence to applicable laws.

## **1. OBJECTIVES**

The objective of 'Know Your Customer (KYC) Guidelines' is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. The Company's KYC policy incorporates the following four key elements:

- Customer Acceptance Policy;
- Customer Identification Procedures;
- Monitoring of Transactions; and
- Risk management.

## **2. DEFINITIONS**

For the purpose of KYC policy, a 'Customer' may be defined as:

A person or entity that maintains an account and/ or has a business relationship with the Company;

One on whose behalf the account is maintained (i.e. the beneficial owner);

Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company.

### 3. CUSTOMER ACCEPTANCE POLICY

#### 3.1

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The Company has developed a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. The Customer Acceptance Policy shall ensure that explicit guidelines are in place on the following aspects of customer relationship in the company.

- No account is opened in anonymous or fictitious/benami name.
- Parameters of risk perception are clearly defined in terms of the location of customer and his clients and mode of payments, volume of turnover, social and financial status, etc. to enable categorization of customers into low, medium and high risk; customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs – as explained in Annex I), if considered necessary, be categorised even higher;
- Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 (Central Act No. 15 of 2003) (hereinafter referred to as PMLA), rules framed thereunder and guidelines issued from time to time;
- Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures, i.e. the Company is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non-co-operation of the customer or nonreliability of the data/information furnished to the Company. However suitable built-in safeguards will be adopted to avoid harassment of the customer. For example, decision to close an account will be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision;
- Customer Due Diligence Procedure is followed for all the joint account holders, while opening a joint account.
- Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- Suitable system is put in place so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations or whose name appears in the sanctions lists circulated by Reserve Bank of India.

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

## 3.2

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The Company prepares a profile for each new customer based on risk categorization. The customer profile contains information relating to the customer's identity, social/financial status, nature of business activity, information about its clients' business and their location, etc. The nature and extent of due diligence shall depend on the risk perceived by the Company. However, while preparing customer profile, Company shall take care to seek only such information from the customer which is relevant to the risk category and is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer shall be sought separately with his/her consent and after opening the account. The customer profile shall be a confidential document and details contained therein will not be divulged for cross selling or any other purposes.

## 3.3

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

## 3.4

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As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories: -

**I.** Low risk customers for the purpose of this policy will be individuals and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile. In such cases, the policy will require that only the basic requirements of verifying the identity and location of the customer are to be met.

Illustrative examples of low risk customers could be:

- Salaried applicants whose salary structures are well defined;
- People belonging to government departments,
- People working with govt. owned companies, regulators and statutory bodies etc;
- People belonging to lower economic strata of the society whose accounts show small balances and low turnover;
- People working with Public Sector Units;
- People working with reputed Public Limited companies & Multinational Companies.

## II. Medium Risk customers would include:

- Salaried applicants with variable income/unstructured income;
- Salaried applicants working with Private limited companies;
- Self Employed professionals other than HNIs ;
- Self Employed customers with sound business and profitable track record for a reasonable period;
- High Net worth Individuals with occupational track record of more than 3 years.

III. High risk customers that are likely to pose a higher than average risk to us will be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per the credit risk policy and guidelines of operations manual. This category of customers will not be actively sourced by the Company. Any customer, identified as High Risk, and funded by the company basis exceptional comfort and availability of justifying mitigants. The extent and nature of due diligence will be the highest for this category. Examples of high risk customers requiring higher due diligence includes:

- Non-resident customers,
- High net worth individuals, without an occupational track record of more than 3 years;
- Trusts, charities, NGOs and organizations receiving donations
- Companies having close family shareholding or beneficial ownership;
- Firms with 'sleeping partners';
- Politically exposed persons (PEPs) of foreign origin;
- Non-face to face customers;
- Those with dubious reputation as per available public information, etc

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

The exposure to any of the clients is subject to credit risk policy and operations manual of the company. However, for customer acceptance, KYC is a prerequisite.

## **4. CUSTOMER IDENTIFICATION PROCEDURE**

### 4.1

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The Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Sufficient information needs to be obtained to the satisfaction, which is necessary to establish, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of relationship. Customer Identification Procedure is carried out at different stages.

- (a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship; and
- (b) while carrying out 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.
- (c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (d) When a Company has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

### 4.2

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For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company, shall at its option, rely on customer due diligence done by a third party, subject to the following conditions:

- (a) Necessary information of such customers' due diligence carried out by the third party is immediately obtained by the Company.
- (b) Adequate steps are taken by the Company to satisfy itself 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 PML 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 and undertaking enhanced due diligence measures, as applicable, will be with the Company.

#### 4.3

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The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification as per the provisions mentioned in the Master Direction - Know Your Customer (KYC) Direction, 2016 issued by RBI.

#### 4.4

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While undertaking customer identification, the Company shall ensure that Decision-making functions of determining compliance with KYC norms shall not be outsourced.

#### 4.5

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The Company need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Rule 9 of the PML Rules provides for the documents/information to be obtained for identifying various types of customers i.e. individuals, companies, partnership firms, trusts, unincorporated association or a body of individuals and juridical persons. Customer identification requirements keeping in view the provisions of the said rule are also given in Annex-I for guidance of the Company. An indicative list of the nature and type of documents/information that will be relied upon for customer identification is given in the Annex-II.

#### 4.6

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The Company has formulated and implemented a Client Identification Programme to determine the true identity of its clients keeping the above in view.

#### 4.7

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The Company performs Periodical Client Due Diligence in regard to customer identification data including photograph(s) after the account is opened. The Periodicity of such updation (obtaining Full KYC) will not be less than once in ten years in case of low risk category customers, not less than once in eight years in case of medium risk categories and not less than once in two years in case of high risk categories. Such KYC exercise will include all measures for confirming the identity and address and other particulars of the customer based on the risk profile of the customer.

#### 4.8

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The Company need not seek fresh proofs of identity and address at the time of periodic updation from those customers who are categorised as 'low risk', in case of no change in status with respect to their identities and addresses. A self-certification by the customer to that effect will be sufficient in such cases. In case of change of address of such 'low risk' customers, they can merely forward a certified copy of the document (proof of address) by mail/post, etc. and the Company may not insist on physical presence of such low risk customer at the time of periodic updation.

## **5. MONITORING OF TRANSACTIONS**

Ongoing monitoring is an essential element of effective KYC procedures. The Company effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. The Company pays special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. High-risk accounts shall be subjected to intensified monitoring. The Company has put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures.

## **6. RISK MANAGEMENT**

### 6.1

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The Board of Directors/Management of the Company ensures 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 has been explicitly allocated within the Company for ensuring that the Policies and procedures are implemented effectively. The Company shall devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

### 6.2

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The Company's internal audit and compliance functions shall have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. The Company shall ensure that their audit machinery is staffed adequately with individuals who are well-versed in such policies and procedures. Concurrent/ Internal Auditors specifically checks



and verifies the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard shall be put up before the Audit Committee of the Board along with their normal reporting frequency. The Company ensure that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines.

6.3

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The Company has an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement it consistently.

## **7. CUSTOMER EDUCATION**

Implementation of KYC procedures requires the Company to demand certain information from customers which are of personal nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. The Company shall prepare specific literature/pamphlets or any other material to educate the customer about the objectives of the KYC programme. The front desk staff and the field staff shall be specially trained to handle such situations while dealing with customers.

## **8. INTRODUCTION OF NEW TECHNOLOGIES**

The Company shall pay special attention to any money laundering threats that arises from new or developing technologies including on-line transactions that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

## **9. APPOINTMENT OF PRINCIPAL OFFICER**

The Company has designated Chief Financial Officer of the Company as 'Principal Officer'. The name of the Principal Officer so designated, his designation and address including changes from time to time, has been communicated to the Director, FIU-IND and also to RBI. He shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law and will maintain close liaison with enforcement agencies, the Company and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

## **10. APPOINTMENT OF DESIGNATED DIRECTOR**

The Company has appointed the executive director of the Company as the Designated Director in terms of the Prevention of Anti- Money Laundering (Amendment) Rule 2013. He will be responsible for overall compliance under PMLA and Rules and Regulation made thereunder.

## **11. MAINTENANCE OF RECORDS OF TRANSACTIONS**

(As per section 12 of the PMLA read with Rule 3 of the Prevention of Money Laundering Rules 2005)

### 11.1

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The Company will maintain proper record of the under mentioned transactions:

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- 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 or equivalent in foreign currency;
- all transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency;
- all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transactions; and
- all suspicious transactions whether or not made in cash and by way of as mentioned in the Annexure III.

### 11.2

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It is being ensured that all branches of the Company to maintain proper record of all cash transactions of Rs.10 lakh and above. The internal monitoring system have been built-in 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.

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

Records referred to above in Rule 3 of the PMLA Rules to contain the following information:

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

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

In terms of PML Amendment Act 2012, Company to maintain records as under:

- Records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of five years from the date of transactions between the clients and the Company.
- Records of the identity of all clients of the Company is required to be maintained for a period of five years from the date of cessation of transactions between the clients and the Company.

The Company endeavours to take appropriate steps in evolving a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

### **14. REPORTING TO FINANCIAL INTELLIGENCE UNIT-INDIA**

#### 14.1

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

#### 14.2

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FIU-India has developed a utility i.e. FINNET Gateway and Suspicious Transaction Reports (STRs) and Cash Transaction Reports (CTRs) shall be submitted to them online. The required information is to be furnished by the Company directly to the FIU-IND online on FIU-IND.gov.in-FINNET Gateway, through the Principal Officer designated by the Company under the Prevention of Money Laundering Act, 2002. The submitted report

confirmation 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

Website - <http://fiuindia.gov.in/>

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

14.3

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(a) Cash Transaction Report (CTR)-CTR relating to the information referred to transaction (i.e. clauses (i), (ii) and (iii) referred to in Paragraph 11.1 supra) for each month will be submitted to FIU-IND by 15th of the succeeding month. Cash transaction reporting will be done centrally by the Company and submitted on monthly basis to FIU-IND within the prescribed time schedule.

(b) Suspicious Transaction Report (STR)- STR relating to the information in respect of the transactions referred to in clause(v) in Paragraph 11.1 supra and Annex III is to be furnished promptly to the Director by online filing not later than seven working days on being satisfied that transaction is suspicious.

14.4

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

## **15. GENERAL**

15.1

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The Company will ensure that the provisions of PML, Rules framed thereunder wherever applicable, are adhered to strictly.

15.2

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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 shall consider closing the account or terminating the business relationship after issuing due notice to the

customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

15.3

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#### **CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)**

Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015. The Company shall upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

15.4

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These Guidelines are issued under the Directions/Regulations issued by Reserve Bank of India and any contravention of or non-compliance with the same will attract penal consequences under the said Directions/Regulations. Further, any change in the regulations issued by Reserve Bank of India through notifications/clarifications/directions shall be automatically construed in this policy.

## CUSTOMER IDENTIFICATION REQUIREMENTS INDICATIVE GUIDELINES

### ANNEX-1

#### **Beneficial owner**

The beneficial owner has been defined as per PMLA Rules as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person. When the Company identifies a customer for opening an account, it should identify the beneficial owner(s) and take all reasonable steps in terms of Rule 9(3) of the PML Rules to verify his identity, as per guidelines provided below:

(a) Where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercises control through other means. Explanation- For the purpose of this sub-clause- 1. "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company. 2. "Control" will include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

(b) Where the client is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.

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

(d) 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.

(e) Where the client is a trust, the identification of beneficial owner(s) will include identification of the author of the trust, the trustee, the beneficiaries with 15 per cent 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.

(f) Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

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

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

## **Accounts of companies and firms**

The Company will be careful while processing the cases of business entities especially to establish that individuals are not using those entities for maintaining accounts with it. The Company will seek information, if required, on the control structure of the entity, source of funds and the natural persons who carry a controlling interest in the management. These requirements will be moderated as per our credit risk policy and guidelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.

## **Accounts of Politically Exposed Persons (PEPs)**

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

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

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the

higher risk involved. Certification of all the documents presented will be insisted upon and, if necessary, additional documents will be called for. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company will have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.



## Annex II

### CUSTOMER IDENTIFICATION PROCEDURE

#### List of KYC documents required for opening of accounts

Features	Documents (Certified Copy)
<b>Accounts of individuals</b>	<p>Any one document from the Officially Valid Document as follows containing details of identity and address:</p> <ul style="list-style-type: none"><li>(i) Passport</li><li>(ii) PAN card</li><li>(iii) Voter's Identity Card issued by Election Commission of India.</li><li>(iv) Driving License</li><li>(v) Job Card issued by NREGA duly signed by an officer of the State Govt</li><li>(vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number.</li></ul> <p><i>Explanation: Customers, at their option, shall submit one of the six Officially Valid Documents (OVDs) for proof of identity and proof of address.</i></p> <p>Provided that where 'simplified measures' are applied for verifying the identity of the customers the following documents shall be deemed to be OVD:</p> <ol style="list-style-type: none"><li>1. identity card with applicant's photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;</li><li>2. Letter issued by a Gazetted officer, with a duly attested photograph of the person.</li></ol> <p>Provided further that where 'simplified measures' are applied for verifying, for the limited purpose of, proof of address the following additional documents are deemed to be OVDs :</p> <ol style="list-style-type: none"><li>1. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);</li><li>2. Property or Municipal Tax receipt;</li></ol>

	<p>3. Bank account or Post Office savings bank account statement;</p> <p>4. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;</p> <p>5. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and</p> <p>6. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.</p>
<b>Accounts of Companies</b>	<p>One certified copy of each of the following documents shall be obtained:</p> <p>(a) Certificate of incorporation;</p> <p>(b) Memorandum and Articles of Association;</p> <p>(c) A resolution from the Board of Directors and power of attorney granted to managers, officers or employees to transact on its behalf; and</p> <p>(d) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.</p>
<b>Accounts of Partnership firms</b>	<p>One certified copy of each of the following documents shall be obtained:</p> <p>(a) Registration certificate.</p> <p>(b) Partnership deed.</p> <p>(c) Officially valid documents in respect of the person holding an attorney to transact on its behalf.</p>
<b>Accounts of Trust</b>	<p>One certified copy of each of the following documents shall be obtained:</p> <p>(a) Registration certificate.</p> <p>(b) Trust deed.</p> <p>(c) Officially valid documents in respect of the person holding a power of attorney to transact on its behalf.</p>
<b>Accounts of an unincorporated association or a body of individuals</b>	<p>One certified copy of each of the following documents shall be obtained:</p> <p>(a) resolution of the managing body of such association or body of individuals;</p> <p>(b) power of attorney granted to transact on its behalf;</p> <p>(c) Officially valid documents in respect of the person holding an attorney to transact on its behalf and</p>

	<p>(d) such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.</p> <p><i>Explanation: Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.</i></p> <p><i>Explanation: Term 'body of individuals' includes societies.</i></p>
<p><b>Accounts of Proprietorship Concerns</b></p>	<p>A certified copy of an OVD as mentioned above, containing details of identity and address of the individual (proprietor) shall be obtained.</p> <p>In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:</p> <ul style="list-style-type: none"> <li>(a) Registration certificate</li> <li>(b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.</li> <li>(c) Sales and income tax returns.</li> <li>(d) CST/VAT certificate.</li> <li>(e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.</li> <li>(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.</li> <li>(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.</li> <li>(h) Utility bills such as electricity, water, and landline telephone bills.</li> </ul> <p>In cases where the Company is satisfied that it is not possible to furnish two such documents, the Company may, at its discretion, accept only one of those documents as proof of business/activity.</p> <p>Provided the Company undertakes 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.</p>

## NOTES:

1. A copy of the marriage certificate issued by the State Government or Gazette notification indicating change in name together with a certified copy of the 'officially valid document' in the existing name of the person shall be obtained for proof of address and identity, while establishing an account based relationship or while undertaking periodic updation exercise in cases of persons who change their names on account of marriage or otherwise.
2. In case the person who proposes to open an account does not have an OVD as 'proof of address', such person shall provide OVD of the relative as provided at sub-section 77 of Section 2 of the Companies Act, 2013, read with Rule 4 of Companies (Specification of definitions details) Rules, 2014, with whom the person is staying, as the 'proof of address'.

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

### ANNEX III

#### **ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO LOAN**

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

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

- a. Builder approaching the Company 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;