

## **1. INTRODUCTION**

### **‘KNOW YOUR CUSTOMER’**

The Reserve Bank of India has issued comprehensive guidelines on ‘Know Your Customer’ (KYC) norms and Anti-money Laundering (AML) standards and has advised all Non-Banking Financial Companies (NBFCs) to ensure that a proper policy framework on KYC and AML measures be formulated and put in place with the approval of the Board.

Accordingly, in compliance with the guidelines issued by RBI from time to time, the following KYC & AML policy is approved by the Board of Directors of NRFSI (hereafter “NRFSI” or “the Company”).

This policy is applicable to all categories of products and services offered by the Company.

## **2. OBJECTIVE**

Objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandates making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer’s business, reasonableness of operations in the account in relation to the customer’s business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

## **3. CUSTOMER ACCEPTANCE POLICY**

The Company shall follow the following norms while accepting and dealing with its customers:

1. Customer must be a major (i.e. 18 years or above) and must not be incapacitated for entering into a contract as per Indian Contract Act
2. Customer must be Indian National. In case of NRI, it is necessary to take approval from Risk Head before any commitment is made to customer.
3. Name of the customer should not appear in the list of banned entities as circulated by UNSCR.
4. Company officials must be satisfied as regards KYC due diligence of the customer
5. Customer name should not have been included in the list of STR and PMLA submitted to RBI under PMLA.
6. In case of customers being PEP or becoming PEP subsequently, it is necessary to take approval of Risk Head.

Key considerations:

- Risk categorisation shall be undertaken based on parameters such as customer’s identity, social/financial status, nature of business activity, information about the clients’ business and their location etc. While considering customer’s identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in to enable categorization of customers into low, medium and high risk. The illustrative list of such risk categorisation is provided in [Annexure – I](#).
- The customer profile contains information relating to 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. 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. The customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purpose.

- The intent of the Policy is not to result in denial of financial services to general public, especially to those, who are financially or socially disadvantaged. While carrying out due diligence, the Company will ensure that the procedure adopted does not result in denial of services to any genuine customers.
- The Company shall carry out full scale customer due diligence (CDD) before opening an account. When the true identity of the account holder is not known, the Company shall file Suspicious Transaction Reporting (STR) as provided below in clause 9.

#### 4. CUSTOMER IDENTIFICATION PROCEDURE

Customer identification means identifying the customer and verifying his / her identity by using reliable and independent source of documents, data or information to ensure that the customer is not a fictitious person. The Company shall obtain sufficient information necessary to establish, to its satisfaction, the identity of each customer and the purpose of the intended nature of business relationship.

An effective **Customer Identification Procedure** (CIP) is an important part of the effort by the Company to know its customers. The Company's CIP is integrated into the AML (Anti Money Laundering) program for the company in terms of the Prevention of Money Laundering Act, 2002 and the relevant rules notified there under (PMLA), which contains provisions requiring the business processes to:

1. **verify the identity of any Person** transacting with the Company to the extent reasonable and practicable;
2. **maintain records of the information** used to verify a customer's identity, including name, address and other identifying information and
3. **Consult lists of known or suspected terrorists** or terrorist organizations provided to the Company by any applicable government agency to determine whether a person opening an account or an existing customer appears on any such list.

The Company will perform appropriate, specific and where necessary, Enhanced Due Diligence on its customers that is reasonably designed to know and verify the true identity of its customers and to detect and report instances of criminal activity, including money laundering or terrorist financing. The procedures, documentation, types of information obtained and levels of KYC due diligence to be performed will be based on the level of risk associated with the relationship (products, services, business processes, geographic locations) between the Company and the customer and the risk profile of the customer.

##### 4.1 Required "KYC" due diligence for all customers

The Company shall take reasonable measures to ascertain and verify the true identity of all customers who transact with the Company. Each business process shall design and implement specific due diligence standards and procedures that are appropriate given the nature of the respective businesses, customers and the associated risks. Such standards and procedures shall include, at a minimum, the following elements.

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

- (a) The company immediately obtains necessary information of such client due diligence carried out by the third party;

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(b) The company takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the client due diligence requirements will be made available from the third party upon request without delay;

(c) The company is satisfied that such third party is regulated, supervised or monitored for, and has measures in place for compliance with client due diligence and record-keeping requirements in line with the requirements and obligations under the Act;

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

(e) The company is ultimately responsible for client due diligence and undertaking enhanced due diligence measures, as applicable.

(f) Where our customer submits his/her Aadhaar card, NRFSI shall ensure to redact or blackout his/her Aadhaar number through appropriate means and shall not store Aadhar Number of the customers in any form.

(g) where the customer is an individual in the capacity of an Applicant, Co-applicant or Guarantor, one recent photograph shall be submitted along with any of the certified copy of any OVD's.

### **Customer Identification Requirements**

Refer Annexure II for Trust/Nominee or Fiduciary Accounts, Accounts of companies and firms, Client accounts opened by professional intermediaries, Identity of Beneficial owners, Accounts of Politically Exposed Persons (PEPs) resident outside India, Accounts of customers on internet.

### **Customer Identification Procedure**

#### **A) Identification**

All the customers shall be identified by a **unique identification code** to identify customers, track the facilities availed, monitor financial transactions in a holistic manner and to have a better approach to risk profiling of customers.

Each business process shall implement procedures to obtain from each customer, prior to transacting, the following information as may be relevant, to that business:

1. Name - procedures require business processes to use reasonable efforts to ensure that the name recorded on the Company systems as the customer will be exactly the same as (and not merely similar to, or a variation of) the name that appears on any identifying documentation reviewed in connection with the loan;
2. For individuals - age / date of birth; For a person other than individual (such as corporation, partnership or trust) - date of incorporation;
3. Address including the documentary proof thereof;
  - i. For an individual, a residential or business street address;
  - ii. For a Person other than an individual (such as a corporation, partnership, or trust), the principal place of business, local office, or other physical location;
4. Telephone/Fax number/E-mail ID;
5. Identification number:

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- i. A taxpayer identification number; passport number and country of issuance; letter issued by Unique Identification Authority of India or residence and bearing a photograph or similar safeguard. When opening an account for a person (other than an individual) that does not have an identification number, the business process must request alternative government issued documentation certifying the existence of the business or enterprise; NRFSI will only be extending loans to Resident Indians and Non-Resident Indians and will ensure adequate safeguards are in place.
- ii. For a customer who has applied for, but has not received an identification number, loan may be sanctioned, but each business process shall implement procedures to confirm that the application was filed before the loan is sanctioned to customer and to obtain the identification number within a reasonable period of time before disbursement of loan.

The list of documents that can be accepted as proof of identity and address from customers across various products offered by the Company is given as [Annexure - III](#) to this policy. These are appropriately covered in the credit policies of the respective businesses and communicated to the credit approving authorities.

### B) Verification

Each business process as a part of the credit policy will document and implement appropriate risk-based procedures designed to verify that it can form a reasonable belief that it knows the true identity of its customers. Verification of customer identity should occur before transacting with the customer. Procedures for each business process shall describe acceptable methods of verification of customer identity, which may include verification through documents or non-documentary verification methods that are appropriate given the nature of the business process, the products and services provided and the associated risks.

#### i. **Verification through documents:**

These documents may include, but are not limited to the list of documents that can be accepted as proof of identity and address from customers across various products offered by the Company as provided in [Annexure - III](#) to this policy. These are appropriately covered in the credit policies of the respective businesses.

The list of documents that can be accepted as proof of identity and address from customers across various products offered by the Company is given as [Annexure - III](#) to this policy. These should be appropriately covered in the credit policies of the respective businesses. The customer verification processes will be covered in detail in the credit policies of every business.

#### ii. **Verification through non-documentary methods:**

These methods may include, but are not limited to:

1. Contacting or visiting a customer;
2. Independently verifying the customer's identity through the comparison of information provided by the customer with information obtained from a consumer reporting agency, public database, or other source;
3. Checking references with other financial institutions; or
4. Obtaining a financial statement.

#### iii. **Additional verification procedures:**

If applicable, the business process verification procedures should address situations where:

1. A person is unable to present an unexpired government-issued identification document that bears a photograph or similar safeguard;



2. The business process associate is not familiar with the documents presented;
3. The Account is opened without obtaining documents;
4. Where the business process is otherwise presented with circumstances that increase the risk that it will be unable to verify the true identity of a customer through documents; and
5. If the business process cannot verify the identity of a customer that is other than an individual, it may be necessary to obtain information about persons with authority or control over such account, including signatories, in order to verify the customer's identity.

### **C) Resolution of Discrepancies**

Each business process shall document and implement procedures to resolve information discrepancies and to decline or cease to do business with a customer when it cannot form a reasonable belief that it knows the true identity of such customer or cannot adequately complete necessary due diligence. These procedures should include identification of responsible decision makers and escalation paths and detailed standards relating to what actions will be taken if a customer's identity cannot be adequately verified.

### **D) Reporting of Suspicious Transaction**

As a general rule, NRFSI will strive to cap cash remittance by customers to the limit of INR 2 lakhs and to advise its customers to use acceptable cashless modes of payment (wire transfer, demand draft, banker's cheque, credit card) to settle their over dues. Acceptance of cash remittance above the limit of INR 2 lakhs is subject to written approval of the National Manager – Retail Risk.

Besides, the business shall have a system of internal reporting of suspicious transactions, counterfeit transactions and cash transactions greater than INR 10 lakhs, whether such transactions comprise of a single transaction or a series of transactions integrally connected to each other, and where such series of transactions take place within a month.

"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 the proceeds of crime; or
- b. appears to be made in circumstances of unusual or unjustified complexity; or
- c. appears to have no economic rationale or bona fide purpose; or
- d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.
- e. where the transactions are abandoned by customers on being asked to give some details or to provide documents.

Further, the Principal officer shall furnish information of the above-mentioned transactions to the Director, Financial Intelligence Unit – India (FIU-IND) at the prescribed address in the formats prescribed in this regard including the electronic filing of reports.

Provided that where the principal officer has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued greater than INR 10 lakhs so as to defeat the provisions of the PMLA regulations, such officer shall furnish information in respect of such transactions to the Director Financial Intelligence Unit – India (FIU-IND) within the prescribed time.

In addition, it shall be the duty of the company, its Designated Director, officers and employees to observe the procedure and manner of furnishing and reporting information on transactions.

### 4.2 Customer CIP Notice

Each business process shall implement procedures for providing customers with adequate notice that the Company is requesting information and taking actions in order to verify their identity. Each business process shall determine the appropriate manner to deliver the notice, which shall be reasonably designed to ensure that the customer is able to view or is otherwise given such notice prior to account opening.

### 4.3 Existing Customers

The requirements of the earlier sections are not applicable to accounts opened by existing customers, provided that the business process has previously verified the identity of the customer and the business process continues to have a reasonable belief that it knows the true identity of the customer. Further, transactions in existing accounts should be continuously monitored and any unusual pattern in the operation of the account should trigger a review of the due diligence measures.

### 4.4 Enhanced Due Diligence

The Company is primarily engaged in retail finance to end customers and wholesale finance to dealers. It does not deal with such category of customers who could pose a potential high risk of money laundering, terrorist financing or political corruption and are determined to warrant enhanced scrutiny. The existing credit policies of the Company in respect of its various businesses ensure that the Company is not transacting with such high risk customers.

The Company shall conduct Enhanced Due Diligence in connection with all customers or accounts that are determined to pose a potential high risk and are determined to warrant enhanced scrutiny. Each business process shall establish appropriate standards, methodology and procedures for conducting Enhanced Due Diligence, which shall involve conducting appropriate additional due diligence or investigative actions beyond what is required by standard KYC due diligence.

Enhanced Due Diligence shall be coordinated and performed by the Company, who may engage appropriate outside investigative services or consult appropriate vendor sold databases when necessary. Each business process shall establish procedures to decline to do business with or discontinue relationships with any customer when the Company cannot adequately complete necessary Enhanced Due Diligence or when the information received is deemed to have a significant adverse impact on reputational risk.

The following are the indicative list where the risk perception of a customer may be considered higher:

- i. Customers requesting for frequent change of address/contact details
- ii. Sudden change in the loan account activity of the customers
- iii. Frequent closure and opening of loan accounts by the customers

Enhanced due diligence may be in the nature of keeping the account monitored closely for a re-categorisation of risk, updation of fresh KYC documents, field investigation or visit of the customer, etc., which shall form part of the credit policies of the businesses.

## 5. RECORDS RETENTION

Each business process shall document and implement appropriate procedures to retain records of KYC due diligence and anti-money laundering measures. The business process shall implement, at a minimum, the following procedures for retaining records:

a. **Transactions for which records need to be maintained:**

- All cash transactions of the value of more than INR 10 lakhs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been ***individually*** valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month ***and the monthly aggregate exceeds rupees ten lakhs or its equivalent in foreign currency***
- 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.
- All suspicious transactions whether or not made in cash.

b. **Information to be preserved:**

The information required to be preserved with respect to the above transactions are the nature of transactions, amount and the currency in which it was denominated, date of transaction and the parties to the transaction.

c. **Periodicity of retention:**

The following records shall be retained for a minimum period of five years after the related account is closed:

- The customer identification information and residence identification information including the documentary evidence thereof.
- All other necessary records pertaining to the transactions that could be produced as evidence for prosecution of persons involved in criminal activity.

Further, a description of the methods used to verify customer identity as well as a description of the resolution of any discrepancies in verification shall be maintained for a period of at least five years after such record was created.

The above records shall be made available to the competent authorities upon request.

## 6. RISK CATEGORISATION

The Company shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Such review of risk categorization and due diligence of customers will be carried out on-going basis with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his business and risk profile and, wherever necessary, the source of funds.

The Company shall have a system in place for periodical updation of customer identification data after the account is opened. The periodicity of such updation shall be not less than once in ten years in case of low risk category customers and not less than once in eight years in case of medium risk category customers and not less than once in two years in case of high risk category customers.

All the customers under different product categories are categorized into low, medium and high risk based on their profile. The Credit manager while appraising the transaction and rendering his approval will prepare the profile of the customer based on risk categorization. An indicative categorization for the guidance of businesses is provided in **Annexure - I**.

Each business process adopts the risk categorization in their respective credit policies subject to confirmation by compliance based on the credit appraisal, customer's background, nature and location of activity, country of origin, sources of funds, client profile, etc. Where businesses believe that a particular customer falling under a category mentioned below is in his judgement falling in a different category, they may categorize the customer so, so long as appropriate justification is provided in the customer file.

### 7. MONITORING OF TRANSACTIONS

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce the risk only if it has 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 different business divisions should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. High-risk accounts have to be subjected to intensify monitoring.

The company caters to two segments of customers, the retail segment where the monthly payment is through ECS, PDC or ACH on the due dates agreed with the customer during the acquisition / disbursal process. In case of frequent defaults and subsequent payment in cash, these accounts can be flagged off on the system as low, medium or high risk.

The second segment is whole sale finance to dealerships; the credit period offered in wholesale finance is of a shorter duration. The model requires dealerships to pay as they sell within the credit period extended. Once the credit period lapses the dealership is to make the payment through a wire transfer or a cheque on the outstanding amount that's raised by the company in the form of a payment advice. Dealerships that frequently miss paying on due dates or repeatedly defaulting on payments will have an impact on their credit ratings which can affect their credit line requirements.

### 8. RISK MANAGEMENT

NRFSI has put in place appropriate procedures to ensure effective implementation of KYC guidelines. The implementation procedure covers proper management oversight, systems and controls, segregation of duties, training and other related matters.

NRFSI Risk management team from time to time will carry on the necessary quality checks and file audits to ensure that the KYC policies and Procedures are adhered to from time to time.

The Risk Management team shall also from time to time also update the Board any lapses if identified during the customer acquisition process. As a part of the risk policy, the Risk Management team has provided for a comprehensive list of documents that can be used as a part of the Know Your Customer guidelines.

### 9. CUSTOMER EDUCATION

The Company may prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC program. The Company on an ongoing basis educates the front desk staff, the branch staff and the new joiners on the elements of KYC through various training programs and e-mails.

### Applicability to branches and subsidiaries outside India

NRFSI scope of operations is limited within the geographical limits of India.

### Appointment of Designated Director / Principal Officer

Mr. Elías Francisco Chávez Godínez, Managing Director, will be the **designated director** who is responsible for ensuring overall compliance as required under PMLA Act and the Rules.

Mr. K.P. Amarnath, Chief Financial Officer is designated as **Principal Officer** who shall be responsible for furnishing of information to FIU-IND.

## 10. COUNTERFEIT CURRENCY REPORT (CCR)

A separate Counterfeit Currency Report should be filed for each incident of detection of Counterfeit Indian currency. If the detected counterfeit currency notes can be segregated on the basis of tendering person, a separate CCR should be filed for each such incident. These transactions should be reported to Director, Financial Intelligence Unit, India **by the 15<sup>th</sup> day of the succeeding month**. In the event any fake or counterfeit note is detected by branch staff, despite taking all precautions; then it must be noted in a cash register separately. Reporting of the case with full details like name of customer, amount, denomination, and date-must be reported by collections manager to Compliance dept.

While furnishing of information to the Director FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a misrepresented transaction beyond the time limit as specified in this rule shall constitute a separate violation.

## 11. MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT

NRFSI has put in place appropriate procedures to carry out Money Laundering (ML) and Terrorist Financing (TF) risk assessment exercises periodically at least once in every 6 months.

The following are the broad principles for carrying out ML / TF risk assessment.

### A. Retail Finance

1. NRFSI is mainly into captive finance business and provides finance facility to retail customers on purchase of cars from dealers. NRFSI releases loan funds directly to dealers so that the end use of funds is established for purchase of cars.
2. NRFSI also does Customer Due Diligence while sanctioning loans to retail customers to ensure the car is used for personal or commercial use as requested in application form by customer.
3. While assessing credit or servicing loans, NRFSI underwriting and customer support team obtains full information of residence, business address and occupation of the customer.
4. NRFSI carries out various checks and verifications as per internal risk policy from login to approval consisting of Dedupe, CIBIL check, Field Investigation of customer premises, RCU check of income documents, Tele verification of contact number and profile check by underwriting team.
5. The sourcing of finance business is through our empanelled dealers. Hence, the identity of delivery channels / geography locations is transparent and evident.

### B. Wholesale Finance

1. NRFSI also extends financing facility to our dealers by way of financing inventory of cars on VIN based approach and releases funds directly to the car manufacturer based on cars invoiced by dealer.
2. NRFSI also finances dealers for their working capital by way of term loans. Wholesale credit assessment team ensures the use of funds are meant for working capital purpose and does due diligence while financing.

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3. Credit team verifies the Networth statement from the dealers certified by Chartered accountant
4. NRFSI reviews the dealership sanctioned limits and renews the same appropriately based on current situation, also carries out RoC, CIBIL, and Sanction list checks at the time of renewals.

NRFSI carries out internal and external dedupe check for all customers with data base of negative list customers as well with AL Qaida and Taliban list received from UN Sanctions as notified by RBI from time to time.

Considering the above broad principles NRFSI falls in low vulnerability in ML / TF assessment as the nature of business, target markets and products are very limited and evident.

**Reporting:** NRFSI shall flag unusual movement of funds or transactions for further analysis. Such transactions are scrutinised in a timely manner and a determination made as to whether the funds or transaction are suspicious. Funds or transactions that are suspicious should be reported promptly to the FIU and in the manner specified by the authorities.

The Principal Officer of NRFSI authorised to carry out the ML / TF risk assessment process effectively with the help of internal controller and has independence to access all relevant internal information. The risk assessment checklist enclosed in [Annexure IV](#). The outcome of the assessment will be placed before Risk Management Committee & Board of Directors of NRFSI as defined in KYC guidelines.

## 12. SOURCING RULES

- Sales person shall, at the time of customer acquisition or executing any transaction, verify the record of identity, signature proof and proof of communication address or addresses including residence address of the customer.
- It is necessary that Sales team verifies the photocopy of the KYC documents with the originals and certifies on the Form, the fact of having verifying the same under his/her signature (Original Seen & Verified – OSV).
- It is necessary to ensure that the identity of the customer / director / partner / authorized signatory does not match with any entity with known criminal background or with banned entities available on United Nations website.
- Customer name should be checked against the negative list provided by United Nations Security Council (UNSC).

The details of the two lists are as below:

(a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at:

<https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/al-qaida-r.xsl>

(b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at:

<https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/taliban-r.xsl>

## 13. CKYC (CENTRAL KYC)

NRFSI strictly adheres to CKYC guidelines and follows the same in line with RBI guidelines.

## **14. GLOSSARY**

AML	Anti-Money Laundering
CIP	Customer Identification Program
CCR	Counterfeit Currency Report
FIU - IND	Financial Intelligence Unit – India (FIU-IND)
PEP	Politically Exposed Persons
PMLA	Prevention of Money Laundering Act
Principal Officer	Officer responsible for implementing the KYC and AML Policy of the Company
STR	Suspicious Transaction Reporting
UNSCR	United Nations Security Council Resolution

## **15.ANNEXURES**

### **ANNEXURE - I**

#### **Indicative list for Risk Categorisation**

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorised as low risk.

Illustrative examples are:

1. Salaried employees whose salary structure is well-defined
2. People belonging to lower economic strata of the society whose accounts show small balances and low turnover
3. Government departments and Government-owned companies
4. Statutory bodies & Regulators

#### **Medium & High Risk Category**

Customers that are likely to pose a higher than average risk may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.

Following profiles are categorized as High Risk:

1. Politically Exposed Persons (PEPs) of Indian/Foreign Origin
2. Multi-level Marketing (MLM) Companies

Illustrative examples for Medium Risk profiles are:

1. Non-Resident customers
2. High Net worth Individuals
3. Trust, charities, NGO's and Organization receiving donations



4. Companies having close family shareholding or beneficial ownership
5. Firms with 'sleeping partners'
6. Those with dubious reputation as per public information available
7. Accounts of bullion dealers and jewelers

### ANNEXURE-II

#### **Customer Identification Requirements**

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

In the case of any application from trust/nominee or fiduciary accounts, the Company determines whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary.

If in doubt of the persons behind the customer, the Company may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. Company takes 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.

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

Company needs to be vigilant against business entities being used by individuals as a 'front' for transactions. Company should examine the control structure of the entity and identify the natural persons who have a controlling interest and who comprise the management.

These requirements may be moderated according to the risk perception e.g. in the case of a public company.

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

Where the transaction is with a professional intermediary who in turn is on behalf of a single client, that client must be identified.

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

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 offers products primarily to Indian residents only. The Company if extending any finance to non-residents should check if he is PEP and check all the information available about the person in the public domain. The decision to transact with the PEP should be taken only by the Head of credit of the respective businesses supported by appropriate verification. The Company is also required to subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the contracts of the family members or close relatives of PEPs.

In the event of an existing customer or the beneficial owner of an existing account, subsequently becoming PEP, the Company shall obtain the approval of Management Committee to continue the business relationship and subject the account to the KYC due diligence measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis.

### **Identity of Beneficial Owner**

The Company shall identify the beneficial owner and take all reasonable steps to verify his identity. The term "beneficial owner" has been defined 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. Government of India has since examined the issue and has specified the procedure for determination of Beneficial Ownership.

(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 a controlling ownership interest or who exercises control through other means.

Explanation- For the purpose of this sub-clause-

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

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

(c) Where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;

(d) Where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

(e) Where the client is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with fifteen percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and

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

### **Accounts of customers on internet**

The Company will not do any transactions with non-face-to-face customers on internet.

**Customer Identification Procedure**

**Features to be verified and documents that may be obtained from customers**

***Any one of below officially valid documents for proof of identity and address required for Individuals***

"Officially valid document" means

- a. the passport,
- b. the driving license,
- c. proof of possession of Aadhaar number,
- d. the Voter's Identity Card issued by Election Commission of India,
- e. job card issued by NREGA duly signed by an officer of the State Government,
- f. the letter issued by the National Population Register containing details of name, address or any other document as notified by the Central Government in consultation with the Regulator,

Provided also that where the client submits his proof of possession of Aadhaar number as an officially valid document, he may submit it in such form as are issued by the Unique Identification Authority of India.

Where the OVD furnished by the customer does not have 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;

For salaried customers the below additional documents are accepted as deemed OVD.

- Rental agreement copy along with utility bill of landlord
- Letter from HR (Government/Listed companies)
- Bank statement copy

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

In case of accounts of proprietorship concerns, it has been decided to lay down criteria for the customer identification procedure for account opening by proprietary concerns. Accordingly, apart from following the extant guidelines on customer identification procedure as applicable to the proprietor, NRFSI should call for and verify the following documents before opening of accounts in the name of a proprietary concern:

- i) Registration certificate (in the case of a registered concern), certificate/license issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT/GST certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities,

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ii) Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department. NRFSI may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account.

iii) The 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.

iv) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.

Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

### ***Documents for Identification and verification of Companies***

- a) Certificate of incorporation;
- b) Memorandum and Articles of Association;
- c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; and
- d) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.
- e) Permanent Account Number of the company

### ***Documents for Identification and verification of Partnership firms***

- a) Registration certificate;
- b) Partnership deed;
- c) An officially valid document in respect of the person holding an attorney to transact on its behalf.
- d) Permanent Account Number of the partnership firm

### ***Documents for Identification and verification of Trusts and Foundations***

- a) Registration certificate;
- b) Trust deed;
- c) An officially valid document in respect of the person holding an attorney to transact on its behalf.
- d) Permanent Account Number or Form No.60 of the trust

### **Note:**

*All customers (applicant, co applicants and guarantor) irrespective of their profile (individual, Trust, Institution etc.) shall have valid ID and address proof as prescribed above and shall submit the same to NRFSI with self-attestation*

Where the applicant/co-applicant/guarantor is an 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 of OVD, certified by any one of the following, may be obtained:

- Authorized 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,

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- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

### ANNEXURE-IV

#### Illustrative list of activities which would be construed as suspicious transactions

- Activities not consistent with the customer's business, i.e. accounts with large volume of credits whereas the nature of business does not justify such credits.
- Any attempt to avoid Reporting/Record-keeping Requirements/provides insufficient / suspicious information:
  - A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
  - Any individual or group that coerces/induces or attempts to coerce/induce the Company employee from not filing any report or any other forms.
  - An account where there are several cash transactions below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.
- Certain Employees of the Company arousing suspicion:
  - An employee whose lavish lifestyle cannot be supported by his or her salary.
  - Negligence of employees/willful blindness is reported repeatedly.
- Some examples of suspicious activities/transactions to be monitored by the operating staff:
  - Multiple accounts under the same name
  - Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
  - There are reasonable doubts over the real beneficiary of the loan
  - Frequent requests for change of address
  - Consecutive 3 times PDC / Cheque bounce and subsequent payment in cash within 7 days
  - Non individual accounts with cash deposits – More than threshold limit

### ANNEXURE-IV

S.No.	AML/CFT Risk Assessment Checklist	Yes	No	NA
I.	<b>Policies and procedures:</b> <ol style="list-style-type: none"> <li>Has NRFSI developed written policies to prevent, detect and report suspicious transactions that has been approved by senior management?</li> <li>Are the AML/CFT policies reviewed by Risk management Committee (RMC) on a periodical basis?</li> <li>Has NRFSI considered risk factors like customer risk (high risk/PEPs), country risk (countries subject to sanctions), product/service, distribution channels when determining the ML/TF risk assessment table?</li> </ol>			
II.	<b>Customer Due Diligence Check:</b> <ol style="list-style-type: none"> <li>Has Due Diligence Process conducted while onboarding customers?</li> </ol>			

	<p>2. Did NRFSI perform the below checks while financing Retail customers to ensure no payments to or from a person on a sanctions list that may affect business operations?</p> <ul style="list-style-type: none"> <li>a. Dedupe check</li> <li>b. AL Qaida and Taliban list received from UN Sanctions</li> <li>c. Negative / Fraud data base received from RBI</li> <li>d. CIBIL score review</li> <li>e. Field Investigation of customer premises (as per FI rules)</li> <li>f. RCU check of income documents (as per sample)</li> <li>g. Tele verification of contact number</li> <li>h. Customer profile review</li> </ul> <p>3. Did NRFSI perform the below compliance checks for Wholesale customers?</p> <ul style="list-style-type: none"> <li>a. Entity Checks <ul style="list-style-type: none"> <li>Name matching with CIN and ROC</li> <li>Objective of Business &amp; Borrowing Powers</li> </ul> </li> <li>b. Agreement with OEM</li> <li>c. Credit Bureau (CIBIL)</li> <li>d. Audit Report Qualification</li> <li>e. Sanctions Check</li> <li>f. ROC Compliance</li> <li>g. CERSAI check on Property</li> <li>h. External Rating Check (CRISIL SME etc)</li> </ul>			
<b>III.</b>	<p><b>Reporting:</b></p> <p>Are suspicious transactions reported promptly to (Financial Intelligence Unit) FIU as and when observed?</p>			
<b>IV.</b>	<p><b>Staff Training:</b></p> <p>Does NRFSI provide adequate training atleast on an annual basis to relevant employees that include identification and reporting of transactions that must be reported to government authorities?</p>			