



# **KNOW YOUR CUSTOMER (KYC) & ANTI MONEY LAUNDERING (AML) POLICY**

**Version 1.0**

**VASTU FINSERVE INDIA PVT LTD (“VFIPL”)**

**GUIDELINES ON 'KNOW YOUR CUSTOMER' & 'ANTI-MONEY LAUNDERING MEASURES'**

**FOR VASTU FINSERVE INDIA PVT LTD.**

**1 Short Title and Commencement.**

- a. These Directions shall be called the Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016.
- b. These directions shall come into immediate effect

**2. Applicability**

(a) The provisions of these Directions shall apply to VFIPL , more specifically as defined in 3 (b) (xiii) below, except where specifically mentioned otherwise.

(b) These directions shall also apply to all branches and majority owned subsidiaries of the VFIPL which are located abroad, to the extent they are not contradictory to the local laws in the host country, provided that:

- i. where applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of the Reserve Bank of India.
- ii. in case there is a variance in KYC/AML standards prescribed by the Reserve Bank of India and the host country regulators, branches/ subsidiaries of VFIPL will adopt the more stringent regulation of the two.
- iii. branches/ subsidiaries of foreign incorporated banks may adopt the more stringent regulation of the two i.e. standards prescribed by the Reserve Bank of India and their home country regulators.

Provided that this rule shall not apply to ‘small accounts’ referred to in Section 23 of Chapter VI.

**3. Definitions :**

In these Guidelines, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

(a) Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

i. “Aadhaar number” shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);

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.

iii. <sup>3</sup>“Authentication”, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

iv. Beneficial Owner (BO)

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 persons, has/have a controlling ownership interest or who exercise 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” 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 15 per cent of capital or profits of the partnership.

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 per cent 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 15% 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. <sup>4</sup>“Certified Copy” - Obtaining a certified copy by VFIPL 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 VFIPL 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. "Central KYC Records Registry" (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

vii. "Designated Director" means a person designated by the VFIPL to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:

Explanation - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.

viii. <sup>5</sup>"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 VFIPL as per the provisions contained in the Act.

ix. <sup>6</sup>"Digital Signature" shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).

x. <sup>7</sup>"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.

xi. <sup>8</sup>"Know Your Client (KYC) Identifier" means the unique number or code assigned to a customer by the Central KYC Records Registry.

xii. "Non-profit organisations" (NPO) means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.

xiii. "Officially Valid Document" (OVD) means the passport, the driving licence, <sup>9</sup>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.

b. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-

- i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- ii. property or Municipal tax receipt;
- iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

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.

xiv. "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).

xv. "Person" has the same meaning assigned 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 any one 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).

xvi. “Principal Officer” means an officer nominated by the VFIPL , responsible for furnishing information as per rule 8 of the Rules.

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

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

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

xviii. A ‘Small Account’ means a savings account which is opened in terms of sub-rule (5) of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such account are specified in Section 23.

xix. “Transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- a. opening of an account;
- b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or bycheque, payment order or other instruments or by electronic or other non-physical means;
- c. the use of a safety deposit box or any other form of safe deposit;
- d. entering into any fiduciary relationship;
- e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
- f. establishing or creating a legal person or legal arrangement.

xx. <sup>12</sup>“Video based Customer Identification Process (V-CIP)” : a method of customer identification by an official of VFIPL 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

(b) Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:

- i. “Common Reporting Standards” (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
- ii. “Customer” means a person who is engaged in a financial transaction or activity with VFIPL and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- iii. “Walk-in Customer” means a person who does not have an account-based relationship with VFIPL , but undertakes transactions with VFIPL.
- iv. <sup>13</sup>“Customer Due Diligence (CDD)” means identifying and verifying the customer and the beneficial owner.
- v. “Customer identification” means undertaking the process of CDD.
- vi. “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.
- vii. “IGA” means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
- viii. “KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- ix. “Non-face-to-face customers” means customers who open accounts without visiting the branch/offices of VFIPL or meeting the officials of VFIPL.
- x. “On-going Due Diligence” means regular monitoring of transactions in accounts to ensure that they are consistent with the customers’ profile and source of funds.
- xi. “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 Reserve Bank.
- xii. “Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- xiii. “Regulated Entities” (REs) means

- a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (StCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
- b. All India Financial Institutions (AIFIs)
- c. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).
- d. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
- e. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

xiv. “Shell bank” means a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group.

xv. “Wire transfer” means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.

xvi. “Domestic and cross-border wire transfer”: When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the ‘originator bank’ or ‘beneficiary bank’ is located in different countries such a transaction is cross-border wire transfer.

(c) 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<sup>14</sup>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.

## **CHAPTER- II ‘Know Your Customer’ Standards**

1. The objective of KYC guidelines is to prevent VFIPL from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable VFIPL to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

VFIPL has framed its KYC policy incorporating the following four key elements:

- (i) Customer Acceptance Policy;
- (ii) Customer Identification Procedures;
- (iii) Monitoring of Transactions; and

(iv) Risk management.

KYC guidelines will also be applicable to associates/agencies/intermediaries associated with VFIPL as follows:

- (i) Empaneled lawyers,
- (ii) Empaneled valuers
- (iii) FI agencies
- (iv) Builder
- (v) Seller of property being financed by VFIPL
- (vi) Direct Selling Agents/Direct selling team
- (vii) Any other intermediary

**Money Laundering and Terrorist Financing Risk Assessment by REs:**

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

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

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

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

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

**Designated Director:**

(a) VFIPL has appointed Sandeep Menon as "Designated Director" and he will ensure overall compliance with the obligations imposed under Chapter IV of the Act and shall be nominated by the Board of the VFIPL.

**Appointment of Principal Officer**

VFIPL has appointed its Senior Management – Mr. Sujay Patil (CFO) to be designated as 'Principal Officer'. The Principal Officer will be responsible shall be responsible for ensuring compliance, monitoring

transactions, and sharing and reporting information as required under the law/regulations.. He will maintain close liaison with enforcement agencies, other VFIPLs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

### **Compliance of KYC policy:**

VFIPL have ensured compliance with KYC Policy through:

- i. Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance.
- ii. Allocation of responsibility for effective implementation of policies and procedures.
- iii. Independent evaluation of the compliance functions of REs' policies and procedures, including legal and regulatory requirements.
- iv. Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
- v. Submission of quarterly audit notes and compliance to the Audit Committee.

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

### **CHAPTER -III Customer Acceptance Policy (CAP)**

VFIPL's Customer Acceptance Policy, which lays down explicit criteria for acceptance of customers, ensures the following aspects of the customer relationship:

- a. No account is opened in anonymous or fictitious/benami name.
- b. No account is opened where VFIPL 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.
- c. No transaction or account-based relationship is undertaken without following the CDD procedure.
- d. The mandatory information to be sought for KYC purpose while opening an account and during the periodic Updation, is specified.
- e. 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
- f. VFIPL shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of VFIPL desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.
- g. CDD Procedure is followed for all the joint account holders, while opening a joint account.
- h. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- i. 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 circulated by Reserve Bank of India.
- j. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- k. Where an equivalent e-document is obtained from the customer, VFIPL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).

VFIPL will prepare a profile for each new customer which may contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their

location, etc. The nature and extent of due diligence will depend on the risk perceived by VFIPL. However, while preparing the customer profile, VFIPL will seek only such information from the customer which is relevant and is not intrusive. The customer profile will be a confidential document.

#### **CHAPTER-IV Risk Management**

The Board of Directors of VFIPL has ensured that an effective KYC program is in place and has established appropriate procedures and is overseeing its effective implementation. The program covers proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility has been explicitly allocated within VFIPL to ensure that VFIPL's policies and procedures are implemented effectively.

The Board of VFIPL is aware that while all customers will be of low risk profile given the nature of its business, unless belonging to a higher risk profile listed above and approved as an exception, it will apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

VFIPL's Board -through its Audit Committee will directly evaluate and ensure adherence to the KYC policies and procedures, including legal and regulatory requirements.

Given the nature of our business – small ticket loans to low income financially excluded families – we have categorized our customers as low risk. It is highly unlikely that VFIPL will have any medium / high risk clients given its focus on the lower income section of society, but for information, examples of customers requiring higher due diligence may include:

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

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

It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation will not result in denial of VFIPL's services to the general public, especially to those who are financially or socially

disadvantaged. In case of opening of any account of Politically Exposed Persons (PEP) necessary approvals from the Managing Director/ National Credit Head would be taken

#### **CHAPTER-V Customer Identification Procedure (CIP)**

VFIPL will follow clear RBI guidelines on the Customer Identification Procedure to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when VFIPL has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

VFIPL will undertake identification of customers in the following cases:

- a. Commencement of an account-based relationship with the customer.
- b. Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- c. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- d. Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
- e. 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.
- f. When VFIPL 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.
- g. VFIPL does not allow introduction to be sought while opening accounts.

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

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, VFIPL, shall at their option, rely on CDD 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 within two days from the third party or from the Central KYC Records Registry.
- (b) Adequate steps are taken by NBFCs to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- (c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the Prevention of Money-Laundering Act.
- (d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- (e) The ultimate responsibility for CDD, including done by a third party and undertaking enhanced due diligence measures, as applicable, shall rest with the VFIPL's discretion.

## CHAPTER- VI CUSTOMER DUE DILIGENCE (CDD) PROCEDURE

### Part I - Customer Due Diligence (CDD) Procedure in case of Individuals

#### Procedure for obtaining identification

a) While undertaking CDD, VFIPL will 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,

- i. he is 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 (18 of 2016); or
- ii. he decides to submit his Aadhaar number voluntarily to a bank or any RE 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; and

(b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and

(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 VFIPL:

Provided that where the customer has submitted,

i) Aadhaar number under clause (a) above to a bank or to VFIPL notified under first proviso to sub-section (1) of section 11A of the PML Act, such bank or VFIPL 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 VFIPL.

ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, VFIPL shall carry out offline verification.

iii) an equivalent e-document of any OVD, VFIPL 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.

iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out VFIPL shall carry out verification through digital KYC as specified under Annex I.

Provided that for a period not beyond such date as may be notified by the Government instead of carrying out digital KYC, VFIPL 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, VFIPL 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 VFIPL and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. VFIPL 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 VFIPL and shall be available for supervisory review.

Explanation 1: VFIPL 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 (i) 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.

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

- i. There must be a specific consent from the customer for authentication through OTP.

- ii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
- iii. the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.
- iv. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 16 is to be carried out.
- vi. If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- vii. 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 RE. Further, while uploading KYC information to CKYCR, VFIPL shall clearly indicate that such accounts are opened using OTP based e-KYC and VFIPL shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- viii. VFIPL has strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

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

- i. The official of the VFIPL performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information as below:
  - VFIPL can only carry out Offline Verification of Aadhaar for identification.
- ii. VFIPL shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
- iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India
- iv. The official of VFIPL shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.
- v. The official of VFIPL shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.
- vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.
- vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.
- viii. VFIPL shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. RE shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.

- ix. To ensure security, robustness and end to end encryption, VFIPL shall carry out software and security audit and validation of the V-CIP application before rolling it out.
- x. The audiovisual interaction shall be triggered from the domain of VFIPL 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.
- xi. VFIPL shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xii. VFIPL can 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 rests with VFIPL.
- xiii. VFIPL shall ensure to redact or blackout the Aadhaar number in terms of Section 16.
- xiv. BCs can facilitate the process only at the customer end and as already stated above, the official at the other end of V-CIP interaction should necessarily be a bank official. VFIPL shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the VFIPL.

19. Notwithstanding anything contained in Section 16 and as an alternative thereto, in case an individual who desires to open a bank account, banks shall open a 'Small Account', which entails the following limitations:

- i. the aggregate of all credits in a financial year does not exceed rupees one lakh;
- ii. the aggregate of all withdrawals and transfers in a month does not exceed rupees ten thousand; and
- iii. the balance at any point of time does not exceed rupees fifty thousand.

Provided, that this limit on balance shall not be considered while making deposits through Government grants, welfare benefits and payment against procurements.

Further, small accounts are subject to the following conditions:

- a. VFIPL shall obtain a self-attested photograph from the customer.
- b. The designated officer of the bank certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.

Provided that where the individual is a prisoner in a jail, the signature or thumb print shall be affixed in presence of the officer in-charge of the jail and the said officer shall certify the same under his signature and the account shall remain operational on annual submission of certificate of proof of address issued by the officer in-charge of the jail.

- c. Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.
- d. VFIPL shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.
- e. The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence

of having applied for any of the OVDs during the first twelve months of the opening of the said account.

- f. The entire relaxation provisions shall be reviewed after twenty-four months.
- g. Notwithstanding anything contained in clauses (e) and (f) above, the small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as may be notified by the Central Government.
- h. The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high-risk scenarios, the identity of the customer shall be established as per Section 16.
- i. Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established as per Section 16.

In case a person who desires to open an account is not able to produce documents, as specified in Section 16, VFIPL may at their discretion open accounts subject to the following conditions:

- a. Shall obtain a self-attested photograph from the customer.
- b. The designated officer of the VFIPL certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- c. The account shall remain operational initially for a period of twelve months, within which CDD as per Section 16 shall be carried out.
- d. Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
- e. The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- f. The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (d) and (e) above are breached by him.
- g. The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction (d) and (e) above.

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

VFIPL though its Principle Officer and approved by the Board of Directors might relax for continued operation of accounts of customers who are unable to provide Permanent Account Number or Form No.60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes with .

Provided that information collected from customers for the purpose of opening of account will be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

VFIPL will duly inform the customer about this provision while opening the account

#### **Part- II CDD Measures for Sole Proprietary Firms**

For opening an account in the name of a sole proprietary firm, identification information as mentioned under Section 14 in respect of the individual (proprietor) shall be obtained.

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:

- Registration certificate.
- Certificate/license issued by the municipal authorities under Shop and Establishment Act.
- GST/ VAT /Sales Tax /Income tax returns.
- GST/V AT/CST certificate (provisional/ final).
- Certificate/registration document issued by Sales Tax/Service Tax/ Professional Tax authorities.
- IEC (Importer Exporter Code) issued to the proprietary concern by the office of DCFT/License/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- Complete Income Tax Return (not just acknowledgement of ITR) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax authorities.
- Valid utility bill with complete address of any service provider (*electricity, telephone, post-paid mobile phone, piped gas, water bill*) which is not more than two months old.

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

Provided a satisfactory contact point verification is done 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.

### **Part- III CDD Measures for Legal Entities**

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

- (a) Certificate of incorporation;
- (b) Memorandum and Articles of Association;

- (c) Permanent Account Number of the company;
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
- (e) Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf

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

- (a) Registration certificate;
- (b) Partnership deed;
- (c) Permanent Account Number of the partnership firm;
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

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

- (a) Registration certificate;
- (b) Trust deed;
- (c) Permanent Account Number or Form No.60 of the trust;
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

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 thereof shall be obtained:

- (a) Resolution of the managing body of such association or body of individuals;
- (b) Permanent Account Number or Form No.60 of the unincorporated association or a body of individuals;
- (c) Power of attorney granted to transact on its behalf;
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and

(e) Such information as may be required by the NBFC to collectively establish the legal existence of such an association or body of individuals.

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

For opening accounts of **juridical persons** not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Document showing name of the person authorized to act on behalf of the entity;
- (b) Aadhaar/PAN/ OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and
- (c) Such documents as may be required by the NBFC to establish the legal existence of such an entity/juridical person.

#### **Part-IV CDD Measures 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:

- (a) Where the customer 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.
- (b) 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.

#### **Part-V Enhanced Due Diligence Measures**

Accounts of Non-face-to-face customers (**other than Aadhaar OTP based on-boarding**): VFIPL will 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.

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

(i) VFIPL will have the option of establishing a relationship with PEPs provided that:

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

- (b) the identity of the person will be verified before accepting the PEP
- (c) The decision to open an account for a PEP will be approved by National Credit head or MD/CEO (d) all such accounts will be subject 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 will be obtained to continue the business relationship;
- (f) The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

(ii) These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

**Customer's accounts opened by Professional Intermediaries:**

VFIPL will 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) VFIPL will have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- (c) VFIPL will not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the NBFC.
- (d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of VFIPL, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of VFIPL, VFIPL will look for the beneficial owners.
- (e) VFIPLs will , at 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.

**CHAPTER – VI ONGOING DUE DILIGENCE**

Ongoing monitoring is an essential element of effective KYC procedures. VFIPL will effectively control and reduce risk only if there is a an understanding of the normal and reasonable activity of the customer so that VFIPL have the means of identifying transactions that fall outside the regular pattern of activity.

- a) VFIPL will ensure special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful 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.

b) The extent of monitoring will be aligned with the risk category of the customer.

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

- i. A system of periodic review of risk categorization 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.
- ii. 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.

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

d) Customers that are likely to pose a higher than average risk to the NBFC 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. NBFCs may apply 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. Examples of customers requiring higher due diligence may include

- non-resident customers,
- high net worth individuals,
- 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, and

- those with dubious reputation as per public information available, etc.

### **Periodic Updation**

Periodic KYC updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers as per the following procedure:

- CDD, as specified in Section 16, at the time of periodic updation. However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
- In case of Legal entities, VFIPL shall review the documents sought at the time of opening of account and obtain fresh certified copies.

Provided, VFIPL shall ensure that KYC documents, as per extant requirements of the Master Direction, are available with them.

(b) VFIPL may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.

(c) VFIPL shall ensure to provide acknowledgment with date of having performed KYC Updation.

(d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

39. In case of existing customers, VFIPL 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 VFIPL 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, VFIPL shall give the customer an accessible notice and a reasonable opportunity to be heard. Further, VFIPL shall have 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 upto the period of 6 months . Such accounts shall, however, be subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with VFIPL gives in writing to VFIPL that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, VFIPL 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 VFIPL 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.

### **Simplified KYC norms for Foreign Portfolio Investors (FPIs)**

Accounts of FPIs which are eligible/ registered as per SEBI guidelines, for the purpose of investment under Portfolio Investment Scheme (PIS), shall be opened by accepting KYC documents as detailed in [Annex III](#), subject to Income Tax (FATCA/CRS) Rules.

Provided that banks shall obtain undertaking from FPIs or the Global Custodian acting on behalf of the FPI that as and when required, the exempted documents as detailed in [Annex III](#) will be submitted.

## CHAPTER – VII Record Management

Ongoing monitoring is an essential element of effective KYC procedures.

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

(a) maintain all necessary records of transactions between VFIPL 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 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.

## Chapter VIII

### Reporting Requirements to Financial Intelligence Unit – India

47. VFIPL 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 to VFIPL 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.

48. 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 by REs which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of those REs, whose all branches are not fully computerized, shall have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.

49. 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 Rule shall be constituted as a separate violation. VFIPL shall not put any restriction on operations in the accounts where an STR has been filed. VFIPL shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

50. 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

## Chapter IX

### Requirements/obligations under International Agreements Communications from International Agencies –

51. VFIPL 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:

(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>.

52. 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 as required under UAPA notification dated March 14, 2019.

53. In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

#### **54. Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967**

The procedure laid down in the UAPA Order dated <sup>53</sup>March 14, 2019 (Annex II of this Master Direction) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

#### **5. 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. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.

(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 process referred to in Section 55 a & b do not preclude REs 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.

#### **Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)**

Under FATCA and CRS VFIPL will 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, will take following steps for complying with the reporting requirements:

(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 - NBFCs shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://www.fedai.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.

## **CHAPTER-VIII OTHER MEASURES**

### **Secrecy Obligations and Sharing of Information:**

a) Banks shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the banker and customer.

(b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

(c) While considering the requests for data/information from Government and other agencies, banks 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 the banking transactions.

(d) 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 bank requires disclosure and
- iv. Where the disclosure is made with the express or implied consent of the customer.

(e) NBFCs shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

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

VFIPL will capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

The NBFCs are required to upload the Know Your Customer (KYC) data with CERSAI in respect of new individual accounts opened on or after November 01, 2016.

#### **61. Collection of Account Payee Cheques**

Account payee cheques for any person other than the payee constituent shall not be collected. Banks shall, at their option, collect account payee cheques drawn for an amount not exceeding rupees fifty thousand to the account of their customers who are co-operative credit societies, provided the payees of such cheques are the constituents of such co-operative credit societies.

**62. (a)** A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing customers by banks and NBFCs.

(b) The banks/NBFCs shall, at their option, not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third party products provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

#### **63. Introduction of New Technologies – Credit Cards/Debit Cards/ Smart Cards/Gift Cards/Mobile Wallet/ Net Banking/ Mobile Banking/RTGS/ NEFT/ECS/IMPS etc.**

Adequate attention is paid by VFIPL to any money-laundering and financing of terrorism threats that may arise from new or developing technologies and it shall be ensured that appropriate KYC procedures issued from time to time are duly applied before introducing new products/services/technologies. Agents used for marketing of credit cards shall also be subjected to due diligence and KYC measures.

#### **5. Wire transfer**

VFIPL shall ensure the following while effecting wire transfer:

- a. All cross-border wire transfers including transactions using credit or debit card shall be accompanied by accurate and meaningful originator information such as name, address and account number or a unique reference number, as prevalent in the country concerned in the absence of account.

Exception: Interbank transfers and settlements where both the originator and beneficiary are banks or financial institutions shall be exempt from the above requirements.

- b. Domestic wire transfers of rupees fifty thousand and above shall be accompanied by originator information such as name, address and account number.
- c. Customer Identification shall be made if a customer is intentionally structuring wire transfer below rupees fifty thousand to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish his identity and STR shall be made to FIU-IND.

- d. Complete originator information relating to qualifying wire transfers shall be preserved at least for a period of five years by the ordering bank.
- e. All the information on the originator of wire transfers shall be immediately made available to appropriate law enforcement and/or prosecutorial authorities on receiving such requests.

#### **Hiring of Employees and Employee training**

(a) Adequate screening mechanism as an integral part of their personnel recruitment/hiring process is put in place.

(b) On-going employee training program is put in place so that the members of staff are adequately trained in KYC/AML Measures policy. The focus of the training will be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff will be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML Measures policies of the NBFC, regulation and related issues will be ensured.

#### **Selling Third party products:**

VFIPL incase of acting as agents while selling third party products shall comply with the applicable laws/regulations as below: -

(a) the identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under Section 13(e) of this Directions.

(b) transaction details of sale of third-party products and related records shall be maintained as prescribed in Chapter VII Section 46.

(c) AML software capable of capturing, generating and analyzing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.

(d) transactions involving rupees fifty thousand and above shall be undertaken only by:

debit to customers' account or against cheques; and

obtaining and verifying the PAN given by the account-based as well as walk-in customers.

(e) Instruction at 'd' above shall also apply to sale of REs' own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for rupees fifty thousand and above.

#### **Adherence to Know Your Customer (KYC) guidelines by NBFCs and persons authorized by VFIPLs including brokers/agents etc.**

(a) Persons authorized by VFIPL 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 NBFCs.

(b) All information shall be made available to the Reserve Bank of India to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorized by VFIPLs including brokers/ agents etc. who are operating on their behalf.

(c) The books of accounts of persons authorized by VFIPL including brokers/agents or the like, so far as they relate to brokerage functions of the company, shall be made available for audit and inspection whenever required.

VFIPLs would ensure that the provisions of the PML Act, Rules framed thereunder and the the Foreign Contribution (Regulation) Act, 2010, applicable, are adhered to strictly.

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

## Annexure-I

### ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO INDIVIDUALS:

- 1) Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- 2) Unnecessarily complex client structure.
- 3) Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear.
- 4) Customer is reluctant to provide information, data, documents;
- 5) Submission of false documents, data, purpose of loan, details of accounts;
- 6) Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
- 7) Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- 8) Approaches a branch/ office of a NBFC, which is away from the customer's residential or business address provided in the loan application, when there is NBFC branch/ office nearer to the given address;
- 9) Unable to explain or satisfy the numerous transfers in the statement of account/ multiple accounts;
- 10) Initial contribution made through unrelated third party accounts without proper justification;
- 11) Availing a top-up loan and/ or equity loan, without proper justification of the end use of the loan amount;
- 12) Suggesting dubious means for the sanction of loan;
- 13) Where transactions do not make economic sense;
- 14) Unusual financial transactions with unknown source.
- 15) 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.

- 16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- 17) Encashment of loan amount by opening a fictitious bank account;
- 18) 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;
- 19) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- 20) Multiple funding of the same property/dwelling unit;
- 21) Request for payment made in favor of a third party who has no relation to the transaction;
- 22) 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.
- 23) Multiple funding / financing involving NCO / Charitable Organization / Small/ Medium Establishments (SMEs) / Self Help Groups (SHCs) / Micro Finance Groups (MFCs)
- 24) Frequent requests for change of address;
- 25) Overpayment of instalments with a request to refund the overpaid amount.
- 26) Investment in real estate at a higher/lower price than expected.
- 27) Clients incorporated in countries that permit bearer shares.

## Annex I Digital KYC Process

- A. VFIPL is in process for developing 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 VFIPL.
- B. The access of the Application shall be controlled by VFIPL 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 VFIPL to its authorized officials or any other manner which is approved by the VFIPL.
- C. The customer, for the purpose of KYC, shall visit the location of the authorized official of VFIPL or vice-versa. The original OVD shall be in possession of the customer.
- D. VFIPL will 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 VFIPL shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- E. The Application of VFIPL 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 preferably 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 VFIPL shall not be used for customer signature. VFIPL must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.

J. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with VFIPL. 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 VFIPL, 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 VFIPL shall check and verify that:- (i) information available in the picture of document is matching with the information entered by authorized officer in CAF. (ii) live photograph of the customer matches with the photo available in the document.; and (iii) all of the necessary details in CAF including mandatory field are filled properly.;

M. On Successful verification, the CAF shall be digitally signed by authorized officer of VFIPL 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.

VFIPL may use the services of Business Correspondent (BC) for this process at its discretion.

**Annex II**

**File No.14014/01/2019/CFT  
Government of India  
Ministry of Home Affairs  
CTCR Division**

**New Delhi, dated 14 March 2019**

**ORDER**

**Subject: - Procedure for implementation of Section 51A of the Unlawful (Prevention) Act, 1967.**

The Unlawful Activities (Prevention) Act, 1967 (UAPA) was amended and notified on 31.12.2008, which, inter-alia, inserted Section 51A to the Act. Section 51 A, reads as under:-

"51A. For the prevention of, and for coping with terrorist activities, the Central Government shall have power to —

- a. freeze, seize or attach funds and other financial assets or economic resources held by, on behalf of or at the direction of the individuals or entities Listed in the Schedule to the Order, or any other person engaged in or suspected to be engaged in terrorism;
- b. prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism;
- c. prevent the entry into or the transit through India of individuals Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism".

The Unlawful Activities (Prevention) Act, 1967 defines "Order" as under :-

"Order" means the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as may be amended from time to time.

In order to expeditiously and effectively implement the provisions of Section 51A, a procedure was outlined vide this Ministry Order No. 17015/10/2002-IS-VI dated 27.08.2009. After the reorganization of the Divisions in Ministry of Home Affairs, the administration of Unlawful Activities (Prevention) Act, 1967 and the work relating to countering of terror financing has been allocated to the CTCR Division. The order dated 27.8.2009 is accordingly modified as under:

**Appointment and communication of details of UAPA Nodal Officers**

2. As regards appointment and communication of details of UAPA Nodal Officers-

- i. The UAPA Nodal Officer for CTCR Division would be the Joint Secretary (CTCR), Ministry of Home Affairs. His contact details are 011-23092736 (Tel), 011-23092569 (Fax) and [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in) (e-mail id).
- ii. The Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, FIU-IND; and RBI, SEBI, IRDA (hereinafter referred to as Regulators) shall appoint a UAPA Nodal Officer and communicate the name and contact details to the CTCR Division in MHA.

- iii. The States and UTs should appoint a UAPA Nodal Officer preferably of the rank of the Principal Secretary/Secretary, Home Department and communicate the name and contact details to the CTCR Division in MHA.
- iv. The CTCR Division in MHA would maintain the consolidated list of all UAPA Nodal Officers and forward the list to all other UAPA Nodal Officers.
- v. The RBI, SEBI, IRDA should forward the consolidated list of UAPA Nodal Officers. to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively.
- vi. The consolidated list of the UAPA Nodal Officers should be circulated by the Nodal Officer of CTCR Division of MHA in July every year and on every change. Joint Secretary (CTCR) being the Nodal Officer of CTCR Division of MHA, shall cause the amended list of UAPA Nodal Officers to be circulated to the Nodal Officers of Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, RBI, SEBI, IRDA and FIU-IND.

#### **Communication of the list of designated individuals/entities**

#### 3. As regards communication of the list of designated individuals/entities-

- i. The Ministry of External Affairs shall update the list of individuals and entities subject to UN sanction measures on a regular basis. On any revision, the Ministry of External Affairs would electronically forward this list to the Nodal Officers in Regulators, FIU-IND, CTCR Division and Foreigners Division in MHA,
- ii. The Regulators would forward the list mentioned in (i) above (referred to as designated lists) to the banks, stock exchanges/ depositories, intermediaries regulated by SEBI and insurance companies respectively.
- iii. The CTCR Division of MHA would forward the designated lists to the UAPA Nodal Officer of all States and UTs.
- iv. The Foreigners Division of MHA would forward the designated lists to the immigration authorities and security agencies.

#### **Regarding funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc.**

4. As regards funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., the Regulators would forward the designated lists to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively. The RBI, SEBI and IRDA would issue necessary guidelines to banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies requiring them to-

(i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order, herein after, referred to as designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., with them.

(ii) In case, the particulars of any of their customers match with the particulars of designated individuals/entities, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., held by such customer on their books to the Joint. Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone or 011-23092736. The particulars apart from being sent by post, should necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).

(iii) The banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall also send a copy of the communication mentioned in (ii) above to the UAPA Nodal Officer of the State/UT where the account is held and Regulators and FIU-IND, as the case maybe.

(iv) In case, the match of any of the customers with the particulars of designated individuals/entities is beyond doubt, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies would prevent designated persons from conducting financial transactions, under intimation to the Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).

(v) The banks, stock exchanges /depositories, intermediaries regulated by SEBI and insurance companies, shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted as per the prescribed format.

5. On receipt of the particulars referred to in paragraph 4(ii) above, CTCR Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals / entities identified by the banks, stock exchanges/depositories, intermediaries regulated by SEBI and Insurance Companies are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies are held by the designated individuals/entities This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.

6. In case, the results of the verification indicate that the properties are owned by or are held for the benefit of the designated individuals/entities, an order to freeze these assets under Section 51A of the UAPA would be issued by the UAPA Nodal Officer of CTCR Division of MHA and conveyed electronically/to the concerned bank branch, depository, branch of insurance company branch under intimation to respective Regulators and FIU-IND. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy thereof to ail the Principal Secretary/Secretary, Home Department of the States or UTs, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/entities or any other person engaged in or suspected to be engaged in terrorism. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating action under the provisions of the Unlawful Activities (Prevention) Act, 1967.

The order shall be issued without prior notice to the designated individual/entity.

#### **Regarding financial assets or economic resources of the nature of immovable properties**

7. CTCR Division of MHA would electronically forward the designated lists to the UAPA Nodal Officer of all States and UTs with the request to have the names of the designated individuals/entities, on the given parameters, verified from the records of the office of the Registrar performing the work of registration of immovable Properties in their respective jurisdiction.

8. In case, the designated individuals/entities are holding financial assets or economic resources of the nature of immovable property and if any match with the designated individuals/entities is found. the UAPA Nodal Officer of the State/UT would cause communication of the complete particulars of such individual/entity along with complete details of the financial assets or economic resources of the nature of immovable property to Joint Secretary (CTCR), Ministry of Home Affairs, immediately within 24 hours at Fax No.011- 23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).

9. The UAPA Nodal Officer of the State/UT may cause such inquiry to be conducted by the State Police so as to ensure that the particulars sent by the Registrar performing the work of registering immovable properties are indeed of these designated individuals/entities. This verification would be completed within a maximum of 5 working days and should be conveyed within 24 hours of the verification, if it matches with the particulars of the designated individual/entity to Joint Secretary (CTCR), Ministry of Home Affairs at the Fax, telephone numbers and also on the e-mail id given below.

10. A copy of this reference should be sent to Joint Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also conveyed over telephone on 01123092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in). MHA may also have the verification conducted by the Central Agencies. This verification would be completed within a maximum of 5 working days.

11. In case, the results of the verification indicate that the particulars match with those of designated individuals/entities, an order under section 51A of the UAPA would be issued, by the UAPA Nodal Officer of CTCR Division of MHA and conveyed to the concerned Registrar performing the work of registering immovable properties and to FIU-IND under intimation to the concerned UAPA Nodal Officer of the State/UT.

The order shall be issued without prior notice to the designated individual/entity.

12. Further, the UAPA Nodal Officer of the State/UT shall cause to monitor the transactions/ accounts of the designated individual/entity so as to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The UAPA Nodal Officer of the State / UT shall upon coming to his notice, transactions and attempts by third party immediately bring to the notice of the DGP/Commissioner of Police of the State / UT for also initiating action under the provisions of Unlawful Activities (Prevention) Act 1967.

#### **Implementation of requests received from foreign countries under U.N. Security Council Resolution 1373 of 2001.**

13. U.N. Security Council Resolution 1373 obligates countries to freeze without delay the funds or other assets of persons who commit, or attempt to commit, terrorist acts or participate in or facilitate the commission of terrorist acts; of entities owned or controlled directly or indirectly by such persons; and of persons and entities acting on behalf of, or at the direction of such persons and entities, including funds or other assets derived or generated from property owned or controlled, directly or indirectly, by such persons and associated persons and entities. Each individual country has the authority to designate the persons and entities that should have their funds or other assets frozen. Additionally, to ensure that effective cooperation is developed among countries, countries should examine and give effect to, if appropriate, the actions initiated under the freezing mechanisms of other countries.

14. To give effect to the requests of foreign countries under U.N. Security Council Resolution 1373, the Ministry of External Affairs shall examine the requests made by the foreign countries and forward it electronically, with their comments, to the UAPA Nodal Officer for CTCR Division for freezing of funds or other assets.

15. The UAPA Nodal Officer of CTCR Division of MHA, shall cause the request to be examined, within 5 working days, so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the Nodal Officers in Regulators, FIU-IND and to the Nodal Officers of the States/UTs. The proposed designee, as mentioned above would be treated as designated individuals/entities.

16. Upon receipt of the requests by these Nodal Officers from the UAPA nodal officer of CTCR Division, the procedure as enumerated at paragraphs 4 to 12 above shall be followed.

The freezing orders shall be issued without prior notice to the designated persons involved.

**Procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/entities inadvertently affected by the freezing mechanism upon verification that the person or entity is not a designated person**

17. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, they shall move an application giving the requisite evidence. in writing, to the concerned bank, stock exchanges/ depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/UT Nodal Officers.

18. The banks, stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/ UT Nodal Officers shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the Nodal Officer of CTCR Division of MHA as per the contact details given in paragraph 4 (ii) above, within two working days.

19. The Joint Secretary (CTCR), MHA being the UAPA Nodal Officer for CTCR Division of MHA shall cause such verification, as may be required on the basis of the evidence furnished by the individual/entity, and, if satisfied, he shall Pass an order, within 15 working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to the concerned bank, stock exchanges/depositories, intermediaries regulated by SEBI, insurance company and the Nodal Officers of States/UTs. However, if it is not possible for any reason to pass an Order unfreezing the assets within 15 working days, the UAPA Nodal Officer of CTCR Division shall inform the applicant.

**Communication of Orders under section 51A of Unlawful Activities (Prevention) Act, 1967.**

20. All Orders under section 51A of Unlawful Activities (Prevention) Act, 1967 relating to funds, financial assets or economic resources or related services, would be communicated to all the banks, depositories/stock exchanges, intermediaries regulated by SEBI, insurance companies through respective Regulators, and to all Registrars performing the work of registering immovable properties, through the State/UT Nodal Officer by CTCR Division of MHA.

**Regarding prevention of entry into or transit through India**

21. As regards prevention of entry into or transit through India of the designated individuals the Foreigners Division of MHA, shall forward the designated lists to the immigration authorities and security agencies with a request to prevent the entry into or the transit through India. The order shall take place without prior notice to the designated individuals/entities.

22. The immigration authorities shall ensure strict compliance of the Orders and also communicate the details of entry or transit through India of the designated individuals as prevented by them to the Foreigners' Division of MHA.

**Procedure for communication of compliance of action taken under section 51A**

23. The Nodal Officers of CTCR Division and Foreigners Division of MHA shall furnish the details of funds, financial assets or economic resources or related services of designated individuals/entities frozen by an order, and details

of the individuals whose entry into India or transit through India was prevented, respectively, to the Ministry of External Affairs for onward communication to the United Nations.

24. All concerned are requested to ensure strict compliance of this order.

(Piyush Goyal)  
Joint Secretary to the Government of India

**Annex III**  
**KYC documents for eligible FPIs under PIS**

Document Type		FPI Type		
		Category I	Category II	Category III
Entity Level	Constitutive Documents (Memorandum and Articles of Association, Certificate of Incorporation etc.)	Mandatory	Mandatory	Mandatory
	Proof of Address	Mandatory (Power of Attorney {PoA} mentioning the address is acceptable as address proof)	Mandatory (Power of Attorney mentioning the address is acceptable as address proof)	Mandatory other than Power of Attorney
	PAN	Mandatory	Mandatory	Mandatory
	Financial Data	Exempted *	Exempted *	Mandatory
	SEBI Registration Certificate	Mandatory	Mandatory	Mandatory
	Board Resolution @@	Exempted *	Mandatory	Mandatory
Senior Management (Whole Time Directors/ Partners/ Trustees/ etc.)	List	Mandatory	Mandatory	Mandatory
	Proof of Identity	Exempted *	Exempted *	Entity declares* on letter head full name, nationality, date of birth or submits photo identity proof
	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *
Authorized Signatories	List and Signatures	Mandatory – list of Global Custodian signatories can be given in case of PoA to Global Custodian	Mandatory - list of Global Custodian signatories can be given in case of PoA to Global Custodian	Mandatory
	Proof of Identity	Exempted *	Exempted *	Mandatory

	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *
Ultimate Beneficial Owner (UBO)	List	Exempted *	Mandatory (can declare “no UBO over 25%”)	Mandatory
	Proof of Identity	Exempted *	Exempted *	Mandatory
	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *

\* Not required while opening the bank account. However, FPIs concerned may submit an undertaking that upon demand by Regulators/Law Enforcement Agencies the relative document/s would be submitted to the bank. @@ FPIs from certain jurisdictions where the practice of passing Board Resolution for the purpose of opening bank accounts etc. is not in vogue, may submit ‘Power of Attorney granted to Global Custodian/Local Custodian in lieu of Board Resolution’

Category	Eligible Foreign Investors
I.	Government and Government related foreign investors such as Foreign Central Banks, Governmental Agencies, Sovereign Wealth Funds, International/ Multilateral Organizations/ Agencies.
II.	<p>a) Appropriately regulated broad based funds such as Mutual Funds, Investment Trusts, Insurance /Reinsurance Companies, Other Broad Based Funds etc.</p> <p>b) Appropriately regulated entities such as Banks, Asset Management Companies, Investment Managers/ Advisors, Portfolio Managers etc.</p> <p>c) Broad based funds whose investment manager is appropriately regulated.</p> <p>d) University Funds and Pension Funds.</p> <p>e) University related Endowments already registered with SEBI as FII/Sub Account.</p>
III.	All other eligible foreign investors investing in India under PIS route not eligible under Category I and II such as Endowments, Charitable Societies/Trust, Foundations, Corporate Bodies, Trusts, Individuals, Family Offices, etc.