

SAMUNNATI FINANCIAL INTEMEDIATION & SERVICES PRIVATE LIMITED

KYC & AML POLICY 2019

VERSION 2

I. 'Know Your Customer' (KYC) Guidelines - Anti Money Laundering Standards

Introduction

Reserve Bank of India (RBI) on February 25, 2016 (bearing ref no. **RBI/DBR/2015-16/18 DBR.AML.BC. No.81/14.01.001/2015-16**) notified the Know your customer (KYC) Directions, 2016 (**KYC Directions, 2016**), inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. These directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (**PMLA**) and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

2. General Guidelines

The information collected from the customer for the purpose of opening of account should be kept as confidential and any details thereof should not be divulged for cross selling or any other purposes. Samunnati Financial Intermediation & Services Private Limited (SFISPL) should ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer should be sought separately with his /her consent and after opening the account.

3. Definitions

3.1 Customer

For the purpose of KYC Norms, a 'Customer' is defined as a person who is engaged in a financial transaction or activity with SFISPL and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

3.2 Designated Director

"Designated Director" means a person designated by the SFISPL to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules. In case of SFISPL, the Designated Director is Mr. S.G. Anil Kumar (Director & CEO).

The Principal Officer should not be nominated as the "Designated Director".

3.3 Officially valid document (OVD)

OVD means the passport, the driving licence, 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, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator. In addition Permanent Account Number (PAN) Card, or Form 60 (Refer Annex-IV) which is compulsory along with Passport size Photo (Please refer Point 9, Customer Due Diligence (CDD) Procedure)

3.4 Person

In terms of PML Act a 'person' includes:

- (i) an individual,
- (ii) a Hindu undivided family,
- (iii) a company,
- (iv) a firm,
- (v) an association of persons or a body of individuals, whether incorporated or not,
- (vi) every artificial juridical person, not falling within any one of the above persons (i to v),
and
- (vii) any agency, office or branch owned or controlled by any of the above persons (i to vi).

3.5 Transaction

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

- i. opening of an Loan account;
- ii. entering into any fiduciary relationship;
- iii. any payment made or received in whole or in part of any contractual or other legal obligation; or
- iv. establishing or creating a legal person or legal arrangement.

3.6 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.

3.7 Central KYC Records Registry” (CKYCR)

CKYCR means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

3.8 Non-profit organisations” (NPO)

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

3.9 Suspicious transaction

“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.

3.10 Common Reporting Standards (CRS)

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.

3.11 Customer Due Diligence (CDD)

CDD means identifying and verifying the customer and the beneficial owner.

3.12 Customer identification means undertaking the process of CDD.

3.13 “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.

3.14 “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.

3.15 “KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

3.16 “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.

3.17 “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.

3.18 “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.

3.19 “Senior Management” for the purpose of KYC compliance are following

1. Designated Director of SFISPL
2. Principal officer of SFISPL

4. This policy shall include following four key elements:

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

5. Compliance of KYC policy

(a) SFISPL shall ensure compliance with KYC Policy through:

- 1 Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance.
- 2 Allocation of responsibility for effective implementation of policies and procedures.
- 3 Independent evaluation of the compliance functions of SFISPL' policies and procedures, including legal and regulatory requirements.
- 4 Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures.
- 5 Submission of quarterly audit notes and compliance to the Audit Committee.

(b) SFISPL shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

6. Customer Acceptance Policy

- a. No account is opened in anonymous or fictitious/benami name.
- b. No account is opened where the SFISPL 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. SFISPL shall apply the CDD procedure at the UCIC (Unique Customer Identification Code) level. Thus, if an existing KYC compliant customer of a SFISPL desires to open another account with the same SFISPL, 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.

7. For Risk Management, SFISPL shall have a risk based approach which includes the following.

- a. Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the SFISPL.
- b. Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

Explanation: FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Banks Association (IBA), guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment.

8. Customer Identification Procedure (CIP)

SFISPL shall undertake identification of customers in the following cases:

- a. Commencement of an account-based relationship with the customer.
- b. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- c. Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
- d. When a SFISPL has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.

9. Customer Due Diligence (CDD) Procedure

For undertaking CDD, SFISPL shall obtain the following information from an individual while establishing an account based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

1. Copy of OVD containing details of identity and address, the copy of the OVD should be verified with the original and signed by an On roll employee of SFISPL as part of verification.
2. one recent photograph shall be obtained.
3. PAN or Form 60 Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time

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

Provided further that, while opening accounts of legal entities PAN of the authorised signatory or the power of attorney holder is not submitted, the certified copy of OVD of the authorised signatory or the power of attorney holder shall be obtained, even if such OVD does not contain address.

Customers, at their option, shall submit one of the five OVDs

In case the identity information relating to the Aadhaar number or Permanent Account Number submitted by the customer does not have current address, an OVD as defined in Point 3.3 shall be obtained from the customer for this purpose.

Provided that in case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-

- 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;

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

(e) In case the customer eligible to obtain a Permanent Account Number/ Form 60, referred above, does not submit Permanent Account Number/ form 60 at the time of commencement of an account based relationship with a SFISPL, the Customer shall submit the same within a period of six months from the date of the commencement of the account based relationship. In case the customer fails to submit Permanent Account Number/form 60 within the aforesaid six months period, the said account shall cease to be operational till the time Permanent Account Number/ form 60 is submitted by the customer.

Simplified norms for Self Help Groups (SHGs)

- a. CDD as per the CDD procedure mentioned in Point 9 of CCD Procedure of all the office bearers shall be done.
- b. No separate CDD as per the CDD procedure mentioned in CDD Procedure of the members or office bearers shall be necessary at the time of credit linking of SHGs.

10. CDD Procedure in case of Individuals

SFISPL shall apply the following procedure while establishing an account based relationship with an individual:

- a. Obtain information as mentioned under Customer Due diligence Procedure; and
- b. such other documents pertaining to the nature of business or financial status.

Provided that 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.

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

11. CDD Measures for Sole Proprietary firms

For opening an account in the name of a sole proprietary firm, identification information as mentioned under Customer Due Diligence Procedure 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:

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

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

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

12. CDD Measures for Legal Entities

For opening an account of a company, certified copies of each of the following documents shall be obtained:

- a. Certificate of incorporation.
- b. Memorandum and Articles of Association.
- c. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- d. Identification information as mentioned under CDD Procedures in respect of managers, officers or employees holding an attorney to transact on its behalf.

For opening an account of a partnership firm, the certified copies of each of the following documents shall be obtained:

- a. Registration certificate.
- b. Partnership deed.
- c. Identification information as mentioned under CDD Procedures in respect of the person holding an attorney to transact on its behalf.

For opening an account of a trust, certified copies of each of the following documents shall be obtained:

- a. Registration certificate.
- b. Trust deed.
- c. Identification information as mentioned under CDD Procedure in respect of the person holding a power of attorney to transact on its behalf.

For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents shall be obtained:

- a. resolution of the managing body of such association or body of individuals;
- b. power of attorney granted to transact on its behalf;
- c. Identification information as mentioned under CCD Procedure in respect of the person holding an attorney to transact on its behalf and
- d. such information as may be required by the SFISPL 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'.

Explanation: 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, certified copies of the following documents shall be obtained.:

- a. Document showing name of the person authorised to act on behalf of the entity;
- b. PAN or Form 60 and Officially valid documents 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 SFISPL to establish the legal existence of such an entity/juridical person.

13. Principal Officer

SFISPL should appoint a senior management officer to be designated as Principal Officer and the role and responsibilities of the Principal Officer have been detailed therein. With a view to enable the Principal Officer to discharge his responsibilities, the Principal Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information. Further, SFISPL should ensure that the Principal Officer is able to act independently and report directly to the senior management or to the Board of Directors. The role and responsibilities of the Principal Officer should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time. The Principal Officer for SFISPL is Mr. Ritesh Nair (Head - Legal & Compliance).

14. 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 Prevention of Money-laundering (Maintenance of Records) Rules, 2005 (Refer Annex-III) 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.

15. On-going Due Diligence

SFISPL shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds

Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- a. Transactions which exceed the thresholds prescribed for specific categories of accounts.

The extent of monitoring shall be aligned with the risk category of the customer.

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

A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

Explanation: small deposits (generally in cash) across the country in one Loan account, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.

16. Periodic Updation

Periodic 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 (indicative list of High Risk and Medium Risk Custom given in Annex-II):

(a) SFISPL shall carry out

- i. PAN verification from the verification facility available with the issuing authority
- ii. Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation at the time of periodic updation from individuals, except from individuals who are categorised as 'low risk'. 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.
- iii. In case of Legal entities, SFISPL shall review the documents sought at the time of opening of account and obtain fresh certified copies.

(b) SFISPL may not insist on the physical presence of the customer for the purpose of furnishing OVD 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 registered Email, post, etc., shall be acceptable.

(c) SFISPL 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.

17. Enhanced and Simplified Due Diligence Procedure

A. Enhanced Due Diligence

Accounts of Politically Exposed Persons (PEPs)

I. SFISPL shall have the option of establishing a relationship with PEPs subject to the Approval of Designated Director (Refer Section 3.18) 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 shall have been verified before accepting the PEP as a customer;
- c. the decision to open an account for a PEP is taken at a senior level in accordance with the SFISPL' Customer Acceptance Policy;
- d. all such accounts are subjected to enhanced monitoring on an on-going basis;
- e. in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- f. the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

18. Record Management

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

(a) maintain all necessary records of transactions between the SFISPL 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) as below;

Maintenance of records of transactions (nature and value)

(1) Every SFISPL shall maintain the record of all transactions including, the record of—

(A) all cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency;

(B) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;

(BA) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;

(C) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;

(D) all suspicious transactions whether or not made in cash and by way of—

(i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of—

(a). cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or

(b). maintain all necessary information in respect of transactions prescribed under PML Rule 3 as given above 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.

(c). 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;

(d). 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.

19. Reporting Requirements to Financial Intelligence Unit - India

SFISPL 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 (refer Point 17) in terms of Rule 7 thereof as below.

Procedure and manner of furnishing information. -

(1) Every SFISPL shall communicate to the Director the name, designation and SFISPL of the Designated Director and the Principal Officer.

(2) The Principal Officer shall furnish the information referred to in clauses (A), (B), (BA), (C), (D), (E) and (F) of sub-rule (1) of rule 3 to the Director on the basis of information available with the reporting entity. A copy of such information shall be retained by the Principal Officer for the purposes of official record.

(3) SFISPL shall evolve an internal mechanism having regard to any guidelines issued by regulator, for detecting the transactions referred to in clauses (A), (B), (BA), (C), (D), (E) and (F) of sub-rule (1) of rule 3 and for furnishing information about such transactions in such form as may be directed by its Regulator.

(4) It shall be the duty of every SFISPL, its designated director, officers and employees to observe the procedure and the manner of furnishing information as specified by its Regulator.

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 the SFISPL for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist SFISPL 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 SFISPL which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of those SFISPL, 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>.

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. SFISPL shall not put any restriction on operations in the accounts where an STR has been filed. SFISPL 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.

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.

20. Requirements/obligations under International Agreements Communications from International Agencies

SFISPL shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967, SFISPL 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).

(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>.

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 August 27, 2009.

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.

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

The procedure laid down in the UAPA Order dated August 27, 2009 (Annex I) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

22 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 21 a & b do not preclude SFISPL 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.

23. Secrecy Obligations and Sharing of Information:

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

(b) 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.

(c) The exceptions to the said rule shall be as under:

- i. Where disclosure is under compulsion of law
- ii. Where there is a duty to the public to disclose,
- iii. the interest of bank requires disclosure and
- iv. Where the disclosure is made with the express or implied consent of the customer.

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

Section 45NB in The Reserve Bank of India Act, 1934

45NB. Disclosure of information.

(1) Any information relating to a non-banking financial company, –

(i) contained in any statement or return submitted by such company under the provisions of this chapter; or

(ii) obtained through audit or inspection or otherwise by the Bank, shall be treated as confidential and shall not, except otherwise provided in this section, be disclosed.

(2) Nothing in this section shall apply to—

(a) the disclosure by any non-banking financial company, with the previous permission of the Bank, of any information furnished to the Bank under sub-section (1);

(b) the publication by the Bank, if it considers necessary in the public interest so to do, of any information collected by it under sub-section (1) in such consolidated form as it may think fit without disclosing the name of any non-banking financial company or its borrowers;

(c) the disclosure or publication by the non-banking financial company or by the Bank of any such information to any other non-banking financial company or in accordance with the practice and usage customary amongst such companies or as permitted or required under any other law: Provided that any such information received by a non-banking financial company under this clause shall not be published except in accordance with the practice and usage customary amongst companies or as permitted or required under any other law.

(3) Notwithstanding anything contained in this Act or in any other law for the time being in force, the Bank, if it is satisfied that, in the public interest or in the interest of the depositors or the non-banking financial company or to prevent the affairs of any non-banking financial company being conducted in a manner detrimental to the interest of the depositors, it is expedient so to do, may, either on its own motion or on being requested, furnish or communicate any information relating to the conduct of business by any non-banking financial company to any authority constituted under any law.

(4) Notwithstanding anything contained in any law for the time being in force, no court or tribunal or other authority shall compel the Bank to produce or to give inspection of any statement or other material obtained by the Bank under any provisions of this chapter.

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

SFISPL shall 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 authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR. CKYCR would start in phased manner beginning with new 'individual accounts'.

25 Reporting requirements under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)

As SFISPL is a Non-Deposit taking NBFC engaged in lending activities only for Indian Resident Customers, FATCA / CRS rules will not be applicable

26. Operation of Loan Accounts & Money Mules

The instructions on opening of accounts and monitoring of transactions shall be strictly adhered to, in order to minimise the operations of "Money Mules" which are used to launder the

proceeds of fraud schemes (e.g., phishing and identity theft) by criminals who gain illegal access to deposit accounts by recruiting third parties which act as “money mules.”

27. Issuance of Prepaid Payment Instruments (PPIs):

PPI issuers shall ensure that the instructions issued by Department of Payment and Settlement System of Reserve Bank of India through their Master Direction are strictly adhered to.

29. Hiring of Employees and Employee training

- a. Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place.
- b. On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall 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 AML/CFT policies of the RE, regulation and related issues shall be ensured.

30. Adherence to Know Your Customer (KYC) guidelines.

- a. Persons authorised by SFISPL for collecting the Loan and our agents or the like, shall be fully compliant with the KYC guidelines applicable to SFISPL.

Annex I

Government Order on Procedure for Implementation of Section 51A of The Unlawful Activities (Prevention) Act, 1967

File No.17015/10/2002-IS-VI
Government of India
Ministry of Home Affairs
Internal Security - I Division

New Delhi, Dated 27th August, 2009

Procedure for Implementation of Section 51A of The Unlawful Activities (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 51A 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 define "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, the following procedures shall be followed :-

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 IS-I division would be the Joint Secretary (IS.I), Ministry of Home Affairs. His contact details are 011-23092736 (Tel), 011-23092569 (Fax) and jsis@nic.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 IS-I 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 IS-I Division in MHA.

(iv) The IS-I 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 to the nodal officer of IS-I Division of MHA in July every year and on every change. Joint Secretary (IS-I), being the nodal officer of IS-I 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, IS-I 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 IS-I 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 (IS.I), 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: jsis@nic.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 may be.

(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 (IS.I), 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: jsis@nic.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 3 (ii) above, IS-I 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 within 24 hours of such verification 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 IS-I Division of MHA shall also forward a copy thereof to all 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 IS-I Division of MHA shall also forward a copy of the order under section 51A, to all Directors General of Police / Commissioners of Police of all states / UTs for initiating action under the provisions of Unlawful Activities (Prevention) Act.

The order shall take place without prior notice to the designated individuals / entities.

Regarding Financial Assets or Economic Resources of the Nature of Immovable Properties

7. IS-I 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 (IS.I), 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: jsis@nic.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 (IS-I), 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 (IS.I), 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 would necessarily be conveyed on e-mail id: jsis@nic.in. MHA may have the verification also 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 within 24 hours, by the nodal officer of IS-I 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 take place without prior notice, to the designated individuals / entities.

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.

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 IS-I Division for freezing of funds or other assets.

15. The UAPA nodal officer of IS-I 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 IS-I Division, the procedure as enumerated at paragraphs 4 to 12 above shall be followed.

The freezing orders shall take place 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 IS-I Division of MHA as per the contact details given in paragraph 4 (ii) above, within two working days.

19. The Joint Secretary (IS-I), MHA, being the nodal officer for IS-I Division of MHA shall cause such verification as may be required on the basis of the evidence furnished by the individual / entity and if he is 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 nodal officer of IS-I Division shall inform the applicant.

Communication of Orders under Section 51A of Unlawful Activities (Prevention) Act

20. All Orders under section 51A of Unlawful Activities (Prevention) Act, 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 the Registrars performing the work of registering immovable properties, through the state / UT nodal officer by IS-I Division of MHA.

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

Annex-II

Indicative list of High/Medium Risk Customers

Characteristics of High Risk Customers

Individuals and entities listed in various United Nations Security Council Resolutions (UNSCRs) such as UN 1267 etc.

1. Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities.
2. Individuals or entities in watch lists issued by Interpol and other similar international organizations.
3. Customers with dubious reputation as per public information available or commercially available watch lists.
4. Individuals and entities specifically identified by regulators, FIU and other competent authorities as high risk.
5. Customers conducting their business relationship or transactions in unusual circumstances such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, frequent and unexplained movement of funds between institutions in various geographic locations etc.
6. Customers based in high risk countries / jurisdictions or locations
7. Politically exposed persons (PEPs) of foreign origin, customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner.
8. Non-resident customers and foreign nationals.
9. Embassies/consulates
10. Off-shore (foreign) corporation/business
11. Non face-to-face customers
12. High net worth individuals
13. Firms with "Sleeping partners"
14. Companies having close family shareholding or beneficial ownership

15. Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale.
16. Shell companies which have no physical presence in the country in which it is incorporated. The existence simply of a local agent or low level staff does not constitute physical presence.
17. Investment Management/ Money Management Company/ Personal Investment Company
18. Accounts for “gatekeepers” such as accountants, lawyers or other professionals for their clients where the identity of the underlying client is not disclosed to the financial institution.
19. Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians etc.
20. Trusts, charities, NGOs/Non- Profit Organisations (NPOs) (Especially those operating on a “cross-border” basis) unregulated clubs and organizations receiving donations (excluding NPOs/NGOs promoted by United Nations or its agencies)
21. Money Service Business: including seller of : Money Orders/ Travelers’ Checks/ Money Transmission/ Chek Cashing/ Currency Dealing or Exchange
22. Business accepting third party cheques (except Super markets or retail stores that accep payroll cheques/ cash payroll cheques)
23. Gambling/ Gaming including “Junket Operators” arranging gambling tours.
24. Dealers in high value or precious goods (e.g. Jewel, gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers)
25. Customers engaged in business which is associated with higher levels of corruption (e.g. arms manufacturers, dealers and intermediaries.)
26. Customers engaged in industries that might relate to nuclear proliferation activities or explosives.
27. Customers that may appear to be Multi level marketing companies etc.

Characteristics of Medium Risk Customers

1. Non-Bank Financial Institution

2. Stock brokerage
3. Import/Export
4. Gas Station
5. Car/Boat/ Plane dealership
6. Electronics (wholesale)
7. Travel Agency
8. Used Car sales
9. Telemarketers
10. Providers of telecommunications service, internet café, IDD call service, phone cards, phone center
11. Dot-com company or internet business
12. Pawn shops
13. Auctioneers
14. Cash intensive business such as restaurants, retail shops, parking garages, fast food stores, movie theaters etc.
15. Sole Practitioners or Law Firms (small, little known)
16. Notaries (small, little known)
17. Secretarial Firms (small, little known)
18. Accountants (small, little known firms)
19. Venture Capital companies

Low risk

Risk which is not categorised in High risk and Medium risk will be identified as low Risk

Indicative List of High/Medium risk Geographies

Countries/Jurisdictions

1. Countries subject to sanctions, embargoes or similar measures in the United Nations Security Council Resolutions (UNSCR)
2. Jurisdictions identified in FATF public statement as having substantial money laundering and terrorist financing (ML/TF) risks (www.fatf-gafi.org)
3. Jurisdictions identified in FATF public statement with strategic AML/CFT deficiencies (www.fatf-gafi.org)
4. Tax havens or countries that are known for highly secretive banking and corporate law practices
5. Countries identified by credible sources as lacking appropriate AML/CFT laws, regulations and other measures.
6. Countries identified by credible sources as providing funding or support for terrorist activities that have designated terrorist organizations operating within them
7. Countries identified by credible sources as having significant levels of criminal activity
8. Countries identified by the bank as high risk because of its prior experiences, transaction history or other factors (e.g. legal considerations, or allegations of official corruption)

Annex-III

Rule 9(3) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005

The beneficial owner for the purpose of sub-rule (1) shall be determined as under—

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

1. “Controlling ownership interest” means ownership of or entitlement to more than twenty-five per cent. of shares or capital or profits of the company;

2. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

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

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

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

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

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

Annex-IV
Income-tax Rules, 1962

FORM NO. 60

[See second proviso to rule 114B]

Form for declaration to be filed by an individual or a person (not being a company or firm) who does not have a permanent account number and who enters into any transaction specified in rule 114B

1	First Name															
	Middle Nam															
	Surname															
2	Date of Birth/ Incorporation of declarant	D	D	M	M	Y	Y	Y	Y							
3	Father's Name (in case of individual)															
	First Name															
	Middle Name															
	Surname															
4	Flat/ Room No.		5	Floor No.												
6	Name of premises		7	Block Name/No.												
8	Road/ Street/ Lane		9	Area/ Locality												
10	Town/ City		11	District			12	State								
13	Pin code		14	Telephone Number (with STD code)			15	Mobile Number								
16	Amount of transaction (Rs.)															
17	Date of transaction								D	D	M	M	Y	Y	Y	Y
18	In case of transaction in joint names, number of persons involved in the transaction															

19	Mode of transaction: Cash, Cheque, Card, Draft/Banker's Cheque, Online transfer, Other
20	Aadhaar Number issued by UIDAI (if available)

21	If applied for PAN and it is not yet generated enter date of application and acknowledgement number	D	D	M	M	Y	Y	Y	Y	
22	If PAN not applied, fill estimated total income (including income of spouse, minor child etc. as per section 64 of Income-tax Act, 1961) for the financial year in which the above transaction is held									
	a	Agricultural income (Rs.)								
	b	Other than agricultural income (Rs.)								
23	Details of document being produced in support of identify in Column 1 (<i>Refer Instruction overleaf</i>)	Document code	Document identification number	Name and address of the authority issuing the document						
24	Details of document being produced in support of address in Columns 4 to 13 (<i>Refer Instruction overleaf</i>)	Document code	Document identification number	Name and address of the authority issuing the document						

Verification

I, _____ do hereby declare that what is stated above is true to the best of my knowledge and belief. I further declare that I do not have a Permanent Account Number and my/ our estimated total income (including income of spouse, minor child etc. as per section 64 of Income-tax Act, 1961) computed in accordance with the provisions of Income-tax Act, 1961 for the financial year in which the above transaction is held will be less than maximum amount not chargeable to tax. Verified today, the _____ day of _____ 20_____

Place: _____

(Signature of declarant)

Note:

1. Before signing the declaration, the declarant should satisfy himself that the information furnished in this form is true, correct and complete in all respects. Any person making a false statement in the declaration shall be liable to prosecution under section 277 of the Income-tax Act, 1961 and on conviction be punishable,

- (i) in a case where tax sought to be evaded exceeds twenty-five lakh rupees, with rigorous imprisonment which shall not be less than six months but which may extend to seven years and with fine;
- (ii) in any other case, with rigorous imprisonment which shall not be less than three months but which may extend to two years and with fine.
2. The person accepting the declaration shall not accept the declaration where the amount of income of the nature referred to in item 22b exceeds the maximum amount which is not chargeable to tax, unless PAN is applied for and column 21 is duly filled.

Instruction:

- (1) Documents which can be produced in support of identity and address (not required if applied for PAN and item 20 is filled): -

<i>Sl.</i>	<i>Nature of Document</i>	<i>Document Code</i>	<i>Proof of Identity</i>	<i>Proof of Address</i>
A	For Individuals and HUF			
1.	AADHAR card	01	Yes	Yes
2.	Bank/Post office passbook bearing photograph of the person	02	Yes	Yes
3.	Elector's photo identity card	03	Yes	Yes
4.	Ration/Public Distribution System card bearing photograph of the person	04	Yes	Yes
5.	Driving License	05	Yes	Yes
6.	Passport	06	Yes	Yes
7.	Pensioner Photo card	07	Yes	Yes
8.	National Rural Employment Guarantee Scheme (NREGS) Job card	08	Yes	Yes
9.	Caste or Domicile certificate bearing photo of the person	09	Yes	Yes
10.	Certificate of identity/address signed by a Member of Parliament or Member of Legislative Assembly or Municipal Councillor or a Gazetted Officer as per annexure A prescribed in Form 49A	10	Yes	Yes
11.	Certificate from employer as per annexure B prescribed in Form 49A	11	Yes	Yes

12.	Kisan passbook bearing photo	12	Yes	No
13.	Arm's license	13	Yes	No
14.	Central Government Health Scheme /Ex-servicemen Contributory Health Scheme card	14	Yes	No

15.	Photo identity card issued by the government./ Public Sector Undertaking	15	Yes	No
16.	Electricity bill (<i>Not more than 3 months old</i>)	16	No	Yes
17.	Landline Telephone bill (<i>Not more than 3 months old</i>)	17	No	Yes
18.	Water bill (<i>Not more than 3 months old</i>)	18	No	Yes
19.	Consumer gas card/book or piped gas bill (<i>Not more than 3 months old</i>)	19	No	Yes
20.	Bank Account Statement (<i>Not more than 3 months old</i>)	20	No	Yes
21.	Credit Card statement (<i>Not more than 3 months old</i>)	21	No	Yes
22.	Depository Account Statement (<i>Not more than 3 months old</i>)	22	No	Yes
23.	Property registration document	23	No	Yes
24.	Allotment letter of accommodation from Government	24	No	Yes
25.	Passport of spouse bearing name of the person	25	No	Yes
26.	Property tax payment receipt (<i>Not more than one year old</i>)	26	No	Yes

B	For Association of persons (Trusts)			
	Copy of trust deed or copy of certificate of registration issued by Charity Commissioner	27	Yes	Yes
C	For Association of persons (other than Trusts) or Body of Individuals or Local authority or Artificial Juridical Person)			

Copy of Agreement or copy of certificate of registration issued by Charity commissioner or Registrar of Cooperative society or any other competent authority or any other document originating from any Central or State Government Department establishing identity and address of such person.	28	Yes	Yes
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- (2) In case of a transaction in the name of a Minor, any of the above mentioned documents as proof of Identity and Address of any of parents/guardians of such minor shall be deemed to be the proof of identity and address for the minor declarant, and the declaration should be signed by the parent/guardian.
- (3) For HUF any document in the name of Karta of HUF is required.
- (4) In case the transaction is in the name of more than one person the total number of persons should be mentioned in Sl. No. 18 and the total amount of transaction is to be filled in Sl. No. 16.

In case the estimated total income in column 22b exceeds the maximum amount not chargeable to tax the person should apply for PAN, fill out item 21 and furnish proof of submission of application.

Rule-114B, Income-tax Rules

[Transactions in relation to which permanent account number is to be quoted in all documents for the purpose of clause (c) of sub-section (5) of section 139A.

114B. Every person shall quote his permanent account number in all documents pertaining to the transactions specified in the Table below, namely:—

TABLE

<i>Sl.No.</i>	<i>Nature of transaction</i>	<i>Value of transaction</i>
<i>(1)</i>	<i>(2)</i>	<i>(3)</i>
1.	<i>Sale or purchase of a motor vehicle or vehicle, as defined in clause (28) of section 2 of the Motor Vehicles Act, 1988 (59 of 1988) which requires registration by a registering authority under Chapter IV of that Act, other than two wheeled vehicles.</i>	<i>All such transactions.</i>
2.	<i>Opening an account [other than a time-deposit referred to at Sl. No.12 and a Basic Savings Bank Deposit Account] with a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act).</i>	<i>All such transactions.</i>

3.	<i>Making an application to any banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution, for issue of a credit or debit card.</i>	<i>All such transactions.</i>												
4.	<i>Opening of a demat account with a depository, participant, custodian of securities or any other person registered under sub-section (1A) of section 12 of the Securities and Exchange Board of India Act, 1992 (15 of 1992).</i>	<i>All such transactions.</i>												
5.	<i>Payment to a hotel or restaurant against a bill or bills at any one time.</i>	<i>Payment in cash of an amount exceeding fifty thousand rupees.</i>												
6.	<i>Payment in connection with travel to any foreign country or payment for purchase of any foreign currency at any one time.</i>	<i>Payment in cash of an amount exceeding fifty thousand rupees.</i>												
7.	<i>Payment to a Mutual Fund for purchase of its units.</i>	<i>Amount exceeding fifty thousand rupees.</i>												
8.	<i>Payment to a company or an institution for acquiring debentures or bonds issued by it.</i>	<i>Amount exceeding fifty thousand rupees.</i>												
9.	<i>Payment to the Reserve Bank of India, constituted under section 3 of the Reserve Bank of India Act, 1934 (2 of 1934) for acquiring bonds issued by it.</i>	<i>Amount exceeding fifty thousand rupees.</i>												
[10.	<table border="1"> <tr> <td colspan="2"><i>Deposit with,—</i></td> </tr> <tr> <td><i>(i)</i></td> <td><i>banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act);</i></td> </tr> <tr> <td><i>(ii)</i></td> <td><i>Post Office.</i></td> </tr> </table>	<i>Deposit with,—</i>		<i>(i)</i>	<i>banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act);</i>	<i>(ii)</i>	<i>Post Office.</i>	<table border="1"> <tr> <td colspan="2"><i>Cash deposits,—</i></td> </tr> <tr> <td><i>(i)</i></td> <td><i>exceeding fifty thousand rupees during any one day; or</i></td> </tr> <tr> <td><i>(ii)</i></td> <td><i>aggregating to more than two lakh fifty thousand rupees during the period 09th November, 2016 to 30th December, 2016.]</i></td> </tr> </table>	<i>Cash deposits,—</i>		<i>(i)</i>	<i>exceeding fifty thousand rupees during any one day; or</i>	<i>(ii)</i>	<i>aggregating to more than two lakh fifty thousand rupees during the period 09th November, 2016 to 30th December, 2016.]</i>
<i>Deposit with,—</i>														
<i>(i)</i>	<i>banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act);</i>													
<i>(ii)</i>	<i>Post Office.</i>													
<i>Cash deposits,—</i>														
<i>(i)</i>	<i>exceeding fifty thousand rupees during any one day; or</i>													
<i>(ii)</i>	<i>aggregating to more than two lakh fifty thousand rupees during the period 09th November, 2016 to 30th December, 2016.]</i>													

11.	<i>Purchase of bank drafts or pay orders or banker's cheques from a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act).</i>	<i>Payment in cash for an amount exceeding fifty thousand rupees during any one day.</i>
12.	<i>A time deposit with,— (i) a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act); (ii) a Post Office; (iii) a Nidhi referred to in section 406 of the Companies Act, 2013 (18 of 2013); or (iv) a non-banking financial company which holds a certificate of registration under section 45-IA of the Reserve Bank of India Act, 1934 (2 of 1934), to hold or accept deposit from public.</i>	<i>Amount exceeding fifty thousand rupees or aggregating to more than five lakh rupees during a financial year.</i>
13.	<i>Payment for one or more pre-paid payment instruments, as defined in the policy guidelines for issuance and operation of pre-paid payment instruments issued by Reserve Bank of India under section 18 of the Payment and Settlement Systems Act, 2007 (51 of 2007), to a banking company or a co-operative bank to which the Banking Regulation Act, 1949 (10 of 1949), applies (including any bank or banking institution referred to in section 51 of that Act) or to any other company or institution.</i>	<i>Payment in cash or by way of a bank draft or pay order or banker's cheque of an amount aggregating to more than fifty thousand rupees in a financial year.</i>
14.	<i>Payment as life insurance premium to an insurer as defined in clause (9) of section 2 of the Insurance Act, 1938 (4 of 1938).</i>	<i>Amount aggregating to more than fifty thousand rupees in a financial year.</i>
15.	<i>A contract for sale or purchase of securities (other than shares) as defined in clause (h) of section 2 of the Securities Contracts (Regulation) Act, 1956 (42 of 1956).</i>	<i>Amount exceeding one lakh rupees per transaction.</i>
16.	<i>Sale or purchase, by any person, of shares of a company not listed in a recognised stock exchange.</i>	<i>Amount exceeding one lakh rupees per transaction.</i>
17.	<i>Sale or purchase of any immovable property.</i>	<i>Amount exceeding ten lakh rupees or valued by stamp valuation authority referred to in section 50C of the Act at an amount exceeding ten lakh rupees.</i>

18.	<i>Sale or purchase, by any person, of goods or services of any nature other than those specified at Sl. Nos. 1 to 17 of this Table, if any.</i>	<i>Amount exceeding two lakh rupees per transaction:</i>
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Provided that where a person, entering into any transaction referred to in this rule, is a minor and who does not have any income chargeable to income-tax, he shall quote the permanent account number of his father or mother or guardian, as the case may be, in the document pertaining to the said transaction:

Provided further that any person who does not have a permanent account number and who enters into any transaction specified in this rule, he shall make a declaration in Form No.60 giving therein the particulars of such transaction ¹[either in paper form or electronically under the electronic verification code in accordance with the procedures, data structures, and standards specified by the Principal Director General of Income-tax (Systems) or Director General of Income-tax (Systems)]:

Provided also that the provisions of this rule shall not apply to the following class or classes of persons, namely:—

- (i) *the Central Government, the State Governments and the Consular Offices;*
- (ii) *the non-residents referred to in clause (30) of section 2 of the Act in respect of the transactions other than a transaction referred to at Sl. No. 1 or 2 or 4 or 7 or 8 or 10 or 12 or 14 or 15 or 16 or 17 of the Table:*