

## Know Your Customer & Anti Money Laundering Policy

### Approvals

Date	Approving Authority
October 27, 2023	Board of Directors
July 30, 2022	Board of Directors
November 02, 2021	Board of Directors
September 17, 2020	Board of Directors
June 10, 2020	Board of Directors

### Version Control

Version	Date	Change History
2.0	October 27, 2023	Amendment in accordance with the revised Master Directions on KYC which include Risk Categorization & its Management; Enhanced Due diligence procedure; inclusion of reporting requirements
1.3	July 30, 2022	No change
1.2	November 02, 2021	<p>The Changes have been made in line with Master Directions – Know Your Customer (KYC) Direction, 2016 updated by RBI as on May 10, 2021.</p> <p>Method of Video based Customer Identification Process (V-CIP) updated.</p> <p>Accounts opened using OTP based e-KYC, in non- face-to-face mode.</p> <p>CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR) updated – within 10 days of commencement of an account-based relationship with the customer.</p>

1.1	September 17, 2020	As per the Master Direction on Know Your Customer (KYC) Direction, 2016 issued by Reserve Bank of India dated February 25, 2016 which was last updated on April 20, 2020
1	June 10, 2020	Changed in accordance extension of RBI Masters Directions- Know your Customer (KYC) Directions, 2016

**Policy Owner: Operations Department**

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

### **(A) BACKGROUND, APPLICABILITY, GOVERNING LAWS, AND DEFINITIONS**

#### **1. Background and Introduction**

The Reserve Bank of India (“**RBI**”) has prescribed the ‘Reserve Bank of India {Know Your Customer (KYC)} Directions, 2016’ (“**RBI KYC Directions**”) for compliance by every entity regulated by RBI with the provisions of the ‘Prevention of Money Laundering Act, 2002’ (“**PMLA**”) and the ‘Prevention of Money-Laundering (Maintenance of Records Rules), 2005’ (“**PML Rules**”). The RBI KYC Directions have prescribed that a KYC policy should be duly approved by the Board of Directors or any committee of the Board to which power is delegated to.

India Shelter Finance Corporation Ltd. (“**India Shelter**” or “**Company**”) provides finance solutions to households belonging to middle / low-income strata of the country. India Shelter, as a Housing Finance Company (“**HFC**”), in compliance with RBI KYC Directions has adopted this Know Your Customer (“**KYC**”) and Anti Money Laundering (“**AML**”) Policy (“**KYC & AML Policy**” or “**Policy**”) with the approval of its Board of Directors (“**Board**”).

#### **2. Objective of the Policy**

The objective of the Policy is to comply with applicable provisions of the PMLA, PML Rules and the RBI KYC Directions and to ensure that it is not used, intentionally or unintentionally, by criminal elements for money laundering activities and that proper identification of customer is done before entering into any financial transaction with him.

#### **3. Applicability**

This Policy is applicable to all customers of India Shelter.

#### **4. Compliance of KYC Policy**

India Shelter shall ensure compliance with the RBI KYC Directions as under:

- (a) It shall specify as to who constitute ‘Senior Management’ for the purpose of KYC compliance.
- (b) It shall allocate responsibility for effective implementation of policies and procedures.
- (c) It shall ensure independent evaluation of status compliance with the KYC/ AML related policies and procedures, including legal and regulatory requirements, including concurrent/ internal audit system to verify the compliance with KYC & AML Policy and related procedures.
- (d) Submission of quarterly audit notes and compliance to the Audit Committee.
- (e) Ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

#### **5. Governing Laws / Guidelines**

- (a) Reserve Bank of India {Know Your Customer (KYC)} Direction, 2016 issued by the RBI
- (b) Prevention of Money Laundering Act, 2002
- (c) Prevention of Money Laundering Rules, 2005

## 6. Definition

- (a) **“Aadhaar Act”** means the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.
- (b) **“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).
- (c) **“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.
- (d) **“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.
- (e) **“Beneficial Owner” (“BO”)**:

- (i) Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.

*Explanation- For the purpose of this definition:*

(a) *“Controlling Ownership Interest” means ownership of/entitlement to more than 10% of the shares or capital or profits of the company.*

(b) *“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.*

- (ii) 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 off entitlement to more than 15% of capital or profits of the partnership.
- (iii) 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 off entitlement to more than 15% of the property or capital or profits of the unincorporated association or body of individuals.

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

- (iv) Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10% or more interest in the trust and other natural person exercising ultimate effective control over trust through a chain of control or ownership.
- (f) **“Cash Transaction”** means "Cash Transaction" as defined under rule 3 of the Rules, i.e.:
    - (i) all cash transactions of the value of more than ₹10 lakh or its equivalent in foreign currency;
    - (ii) all series of cash transactions integrally connected to each other which have been individually valued below ₹10 lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds ₹10 lakh or its equivalent in foreign currency.

**(g) "Certified Copy"** - Obtaining a certified copy 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 authorized officer 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:

- (i) authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
  - (ii) branches of overseas banks with whom Indian banks have relationships,
  - (iii) Notary Public abroad,
  - (iv) Court Magistrate,
  - (v) Judge,
  - (vi) Indian Embassy/Consulate General in the country where the non-resident customer resides.
- (h) "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.
- (i) "Customer"** means a person who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- (j) "Customer Due Diligence ("CDD")** means identifying and verifying the customer and the beneficial owner.
- (k) "Customer Identification"** means undertaking the process of CDD.
- (l) "Customer Information File" or "CIF" or "Unique Customer Identification Code" or "UCIC"** shall mean a unique code provided by the Company to each of the customers while entering into an account-based relationship with a customer in order to maintain identification records at the customer level.
- (m) "Designated Director"** means a person designated to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include the Managing Director or a whole-time Director, duly authorized by the Board of Directors, in case of a company.
- (n) "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 authorised officer of the company as per the provisions contained in the Act.
- (o) "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).
- (p) "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.

- (q) "**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 USA taxpayers hold a substantial ownership interest.
- (r) **Financial Intelligence Unit- India ("FIU-IND")** means Financial Intelligence Unit set by the Government of India as the central national agency responsible for receiving, processing, analyzing and disseminating information relating to suspect financial transactions. FIU-IND is also responsible for coordinating and strengthening efforts of national and international intelligence, investigation and enforcement agencies in pursuing the global efforts against money laundering and financing of terrorism. FIU-IND is an independent body reporting directly to the Economic Intelligence Council (EIC) headed by the Finance Minister..
- (s) "**Group**" shall have the same meaning assigned to it in clause (e) of sub-section (9) of Section 286 of the Income-tax Act, 1961 (43 of 1961), which currently is defined as under:  
*"Group" includes a parent entity and all the entities in respect of which, for the reason of ownership or control, a consolidated financial statement for financial reporting purposes,- (i) is required to be prepared under any law for the time being in force or the accounting standards of the country or territory of which the parent entity is resident; or (ii) would have been required to be prepared had the equity shares of any of the enterprises were listed on a stock exchange in the country or territory of which the parent entity is resident.*
- (t) "**Know Your Client (KYC) Identifier**" means the unique number or code assigned to a customer by the Central KYC Records Registry.
- (u) "**KYC Templates**" means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- (v) "**Non-face-to-face customers**" means customers who open accounts without visiting the branch/ offices of the India Shelter or meeting the officials of the Company.
- (w) "**Non-Profit Organisations**" ("**NPO**") means any entity or organisation, constituted for religious or charitable purposes ('to include relief of the poor, education, medical relief, preservation of environment (including watersheds, forests and wildlife) and preservation of monuments or places or objects of artistic or historic interest, and the advancement of any other object of general public utility') referred to in clause (15) of Section 2 of the Income-tax Act, 1961 (43 of 1961), 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.
- (x) "**Officially Valid Document**" ("**OVD**") means the passport, the Driving Licence, 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,
- (i) 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.
- (ii) 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:
- (a) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- (b) property or Municipal tax receipt;

- (c) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- (d) 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, the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above.

*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.*

- (y) "**Offline Verification**" shall have the same meaning as assigned to it in clause (pa) of Section 2 of the Aadhaar Act.
- (z) "**On-going Due Diligence**" means regular monitoring of transactions in accounts to ensure that they are consistent with the customers risk profile and source of funds.
- (aa) "**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 of India.
- (bb) "**Person**" has the same meaning as defined in the Act and 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 anyone 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).
- (cc) "**Politically Exposed Persons**" ("**PEPs**") are individuals who are or have been entrusted with prominent public functions by 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.
- (dd) "**Principal Officer**" means an officer nominated by India Shelter, responsible for furnishing information as per rule 8 of the Rules.
- (ee) "**Regulated Entity**" or "**RE**" shall mean an entity regulated by the RBI to which the RBI KYC Directions are applicable.
- (ff) "**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:
  - (i) 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
  - (ii) appears to be made in circumstances of unusual or unjustified complexity; or
  - (iii) appears to not have economic rationale or bona-fide purpose; or

(iv) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

**(gg) "Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:

- (i) opening of an account;
- (ii) deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- (iii) the use of a safety deposit box or any other form of safe deposit;
- (iv) entering into any fiduciary relationship;
- (v) any payment made or received, in whole or in part, for any contractual or other legal obligation; or
- (vi) establishing or creating a legal person or legal arrangement.

**(hh) "Video based Customer Identification Process ("V-CIP")"**: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of India Shelter by undertaking seamless, secure, live, real-time, informed-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 through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face customer identification process for the purpose of the RBI KYC Directions.

**(ii) 'Walk-in Customer'** means a person who does not have an account-based relationship with the Company but undertakes transactions with the Company.

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

## **(B) ROLES AND RESPONSIBILITIES**

### **7. Designated Director**

Mr. Rupinder Singh, Managing Director of India Shelter has been appointed as "Designated Director" in compliance of Rule 2(1)(ba) of the Prevention of Money laundering (Maintenance of Records Rules), 2005. He will ensure overall compliance with the obligations imposed under Chapter IV of the Prevention of Money Laundering Act, 2005 and its rules.

The name, designation and address of the Designated Director shall be communicated to the FIU-IND. In no case, the Principal Officer shall be nominated as the 'Designated Director'.

### **8. Principal Officer**

Ms. Mukti Chaplot, Company Secretary and Chief Compliance Officer has been designated as 'Principal Officer'. As per the NHB guidelines, the Principal Officer will be located at the corporate office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He/she will maintain close liaison with enforcement agencies, other HFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.



The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND.

## **9. Senior Management for KYC Compliance**

Following officials will be responsible for ensuring KYC compliance in the organization:

- (a) Designated Director
- (b) Principal Officer
- (c) Chief Financial Officer
- (d) Head – Distribution
- (e) Head – Underwriting
- (f) Head – Business Services

India Shelter 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. Front line staff, both sales & operations, and credit staff of India Shelter are aware that no loan accounts will be created unless the KYC procedures are adhered to completely.

Various business functions such as Distribution, Underwriting, Operations etc. shall ensure support to the Principal Officer and be responsible for operational implementation of the Policy.

## **(C) CUSTOMER ACCEPTANCE POLICY**

### **10. Customer Acceptance Policy**

The Customer Acceptance Policy (“CAP”) aims to verify the identity and address of customer by using reliable, independent source documents, data or information. India Shelter shall rely on Officially Valid Documents as defined under the RBI KYC Directions. It will, however, be ensured that CAP does not lead to any customer harassment or leads to denial of financial service to general public especially to those who are financially or socially disadvantaged. Following shall be the hallmark of India Shelter’s CAP:

- (a) No account shall be opened in anonymous or fictitious/benami name(s).
- (b) No account is opened where India Shelter is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or nonreliability of the documents/information furnished by the customer.
- (c) No transaction or account based relationship shall be undertaken without following the CDD procedure.
- (d) The mandatory information to be sought for KYC purpose while opening account and during the periodic up dation, shall be specified.
- (e) Any additional information, which is not specified in this Policy, will be obtained with the explicit consent of the customer.
- (f) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (g) If an existing KYC compliant customer of India Shelter desires to open another account with India Shelter, there shall be no need for a fresh CDD exercise.

- (h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- (i) Suitable systems will be put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists issued by UN Security Council and other sanctions lists circulated by Reserve Bank of India from time to time.
- (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, India Shelter shall verify the digital signature as per the provisions of the Information Technology Act, 2000.
- (l) India Shelter will not give a loan to any applicant and shall close any existing loan where the India Shelter is unable to apply appropriate customer due diligence measures i.e. where the India Shelter is unable to verify the identity and/or obtain documents required as per the extant policies of India Shelter due to the non-cooperation of the applicant/ customer or non-reliability of the data/information furnished by such applicant/ customer. The decision to close any existing loan account due to failure to meet CAP shall be taken by Principal Officer.
- (m) A CIF/ UCIC shall be allotted while entering into new relationships with individual customers as also the existing customers. However, the Company shall not issue UCIC to occasional customers such as purchasers of third-party products or walk-in occasional customers.
- (n) The Company shall conduct KYC due diligence of the third person also who is authorized to act on behalf of a customer as a mandate holder or authority holder.
- (o) Where Goods and Services Tax (“**GST**”) details are available, the GST number shall be verified from the search/ verification facility of the issuing authority.

The Company shall take care to ensure that implementation of the CAP does not result in denial of services to public, especially to those, who are financially or socially disadvantaged.

## **(D) RISK MANAGEMENT**

### **11. Screening of the customers against the Sanctions List**

**12.1 Obligations under the Unlawful Activities (Prevention) (UAPA) Act, 1967-** In terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, the Company shall screen details of its proposed and existing customers (as and when required) against the details of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are periodically circulated by the United Nations Security Council (UNSC) such as the following:

- (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/ohz5jen-al-qaida.html>
- (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/3ppp1en-taliban.htm>

For this purpose, the Company shall also ensure to refer to the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time.

The Company shall ensure compliance with the reporting and other requirements mentioned in the UAPA notification dated February 2, 2021.

## **12.2 Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (“WMD Act, 2005”)**

- (a) The Company shall ensure compliance with the order dated January 30, 2023, by the Ministry of Finance, Government of India (“**Order**”) on ‘Procedure for Implementation of Section 12A’ of the WMD Act, 2005, provided as Annex III of the RBI KYC Directions.
- (b) In accordance with para 3 of the aforementioned Govt. Order, the Company shall ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.
- (c) Further, the Company shall run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether any of individuals and entities in the designated list is customer of the Company.
- (d) In case of match in the above cases, the Company shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Director, FIU-India (*designated as the Central Nodal Officer, the authority to exercise powers under Section 12A of the WMD Act, 2005*). A copy of the communication shall be sent to the State Nodal Officer, where the account / transaction is held and to the RBI. Further, the Company shall file an STR with FIU-IND covering all transactions in the accounts, carried through, or attempted.
- (e) For the above purposes, the Company shall refer to the designated list, as amended from time to time, available on the portal of FIU-India.
- (f) In case there are reasons to believe beyond doubt that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A of the WMD Act, 2005, the Company shall prevent such individual/entity from conducting financial transactions, under intimation to the Director, FIU-India by email and by post, without delay.
- (g) In case any order received by the Company from the Director, FIU-India, the Company shall, without delay, take necessary action to comply with the Order.

**12.3** The Company shall also keep track of the ‘UNSCR 1718 Sanctions List of Designated Individuals and Entities’, as available at <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>, from time to time, to take into account any modifications to the list in terms of additions, deletions or other changes and also ensure compliance with the ‘Implementation of Security Council Resolution on Democratic People’s Republic of Korea Order, 2017’, as amended from time to time by the Central Government.

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

## 12. Risk Categorization of Customers

**13.1** The Company shall categorise its customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perceived by it in terms of applicable provisions of the PMLA, PML Rules and the RBI KYC Directions.

For risk categorisation, the Company may consider various factors like end-use of the loan, the customer's background, nature, location and type of occupation/ employment, purpose of loan, sources of funds etc. However, while conducting such assessment, the Company shall ensure that various information/ details collected from different categories of customers relating to the perceived risk, are non-intrusive.

### 13.2 Low Risk Category

As India Shelter in engaged in extending loans to households belonging to low / middle income group, the customers of India Shelter shall be classified as low risk, unless specifically identified in any other risk category as per sub-paragraph 13.3 and 13.4 below.

### 13.3 Medium Risk Category

- (a) Self-employed borrowers having income from informal sources whose income is assessed and have loan amount above ₹30 Lakh.
- (b) Stockbrokers with loan amount above ₹30 Lakh.
- (c) Real estate agents/ brokers with loan amount above ₹30 Lakh.
- (d) Used car dealership with loan amount above ₹30 Lakh.
- (e) Custom brokers with loan amount above ₹30 Lakh.

### 13.4 High Risk Category

- (a) Non-face to face customers including non-resident customers.
- (b) High net worth individuals with loans above ₹2 Crore.
- (c) Trusts, charities, NGOs and organizations receiving donations.
- (d) Politically Exposed Persons (PEPs) of foreign origin.
- (e) Those with dubious reputation as per public information available, etc.

## (E) CUSTOMER DUE DILIGENCE AND CUSTOMER IDENTIFICATION POLICY

### 13. Customer Identification

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. India Shelter will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being satisfied means that the Company must be able to satisfy the competent authorities that due diligence was observed in compliance with the extant guidelines in place.

### 14. Applicability of Customer Identification Policy ("CIP")

The Company shall adhere to the prescribed customer identification procedures in the following instances:

- (a) Commencement of an account-based relationship with the customer.

- (b) When there is a doubt with respect to authenticity or adequacy of the customer identification data it has obtained.
- (c) Selling third party products as agents, selling its own products, and any other product for more than ₹50 Thousand.
- (d) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds ₹50 Thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- (e) When India Shelter has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below ₹50 Thousand.

The Company shall ensure that introduction is not to be sought while opening accounts.

### **15. Reliance on Customer Due Diligence done by a Third Party**

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

- (a) 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 PMLA.
- (b) 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.
- (c) Adequate steps are taken to satisfy 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.
- (d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- (e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with India Shelter.

### **16. KYC Due Diligence for Individuals**

**17.1** While undertaking CDD, India Shelter shall obtain the following documents/ information from an individual while establishing an account-based relationship with an 'individual' or dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- (a) One recent photograph of the customer shall be obtained.
- (b) The Permanent Account Number (PAN) or the equivalent e-document thereof. If PAN has not been obtained by the customer, then Form No. 60 shall be obtained as defined in Income Tax Rules, 1962, as amended from time to time.
- (c) The Aadhaar number where-
  - (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar Act, 2016; or
  - (ii) if a customer decides to submit his Aadhaar number voluntarily to the Company, provided the Company notified under first proviso to sub-section (1) of Section 11A of the PMLA for e-KYC authentication facility provided by the UIDAI; or
- (d) The proof of possession of Aadhaar number where offline verification can be carried out; or

- (e) The proof of possession of Aadhaar number where offline verification cannot be carried out or any other OVD or the equivalent e-document thereof containing the details of his identity and address; or
- (f) If a customer submits a KYC Identifier to the Company, with an explicit consent to download records from CKYCR, then the Company shall retrieve the KYC records from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless:
  - (i) there is change in the information of the customer vis-à-vis that existing in the records of CKYCR; *or*
  - (ii) the current address of the customer is required to be verified; *or*
  - (iii) the respective credit approving authority of the Company considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the customer; *or*
  - (iv) the validity period of documents downloaded from the CKYCR has lapsed.
- (g) Such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the Company.
- (h) Other requirements relating to KYC Due Diligence of an Individual
  - (i) Aadhaar number may specifically be obtained in the following scenarios:
    - (a) If customer is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act; *or*
    - (b) If a customer decides to submit his Aadhaar number voluntarily to the Company, provided the Company is notified under first proviso to sub-section (1) of Section 11A of the PMLA for e-KYC authentication facility provided by the UIDAI.
  - (ii) Authentication using e-KYC authentication facility provided by the UIDAI- As and when the Company is authorized to conduct authorization through e-KYC authentication facility provided by the UIDAI (under first proviso to sub-section (1) of Section 11A of the PMLA), it may conduct such authorization and use the e-KYC facility in accordance with the conditions prescribed under the Aadhaar Act/ RBI KYC Directions. Further, in such a case, if a customer wants to provide a current address, different from the address as per the identity information available in Central Identities Data Repository of the UIDAI, he shall provide a self-declaration to that effect to the Company.
  - (iii) If the customer submits his/ her Aadhaar number, the Company will ensure such customer to redact or blackout his/ her Aadhaar number where the authentication of Aadhaar number is not required as per Section 7 of the Aadhaar Act.
  - (iv) The use of Aadhaar, proof of possession of Aadhaar etc. shall be in accordance with the Aadhaar Act and other applicable regulations/ rules.
  - (v) In case proof of possession of the Aadhaar has been submitted by a customer, the Company shall carry out offline verification wherever possible.
  - (vi) Where a customer has submitted an equivalent e-document of any OVD, the Company shall verify the digital signature as per the provisions of the

Information Technology Act, 2000 (21 of 2000) and take a live photo as specified under the Digital KYC Process as specified in the **Annexure I** of the Policy.

- (vii) Where a customer submits any OVD or proof of possession of Aadhaar number and its offline verification of such OVD/ proof of possession of Aadhaar cannot be carried out, the Company shall have option to carry-out verification through the process prescribed for Digital KYC Process in the **Annexure I** of the Policy.

## **17.2 Accounts opened using OTP based e-KYC**

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

- (a) There must be a specific consent from the customer for authentication through OTP.
- (b) Only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed Rupees Sixty Thousand in a year.
- (c) The Company shall ensure that transaction alerts, OTP, etc., if required, are sent only to the mobile number of the customer registered with Aadhaar. Change in the mobile number used for opening of the account through the Aadhaar OTP shall be permitted subject to the following due diligence by the Company:
  - (i) The request for change in the mobile number may be considered only after the customer completes the CDD as per Sub-para 17.1 or V-CIP as per Sub-para 17.3 of this Policy; or
  - (ii) The customer logs into the customer portal or mobile app of the Company and places request for change in the mobile number. Once such a request is placed through the customer portal or mobile app of the Company, existing mobile number and new mobile number shall be verified through separate OTPs.
- (d) The loan account opened using OTP based e-KYC shall not be allowed for more than one year unless identification is carried-out either as per provisions of Sub-para 17.1 of this Policy or as per V-CIP detailed under Sub-para 17.3 of this Policy. If Aadhaar details are used under V-CIP, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
- (e) If the CDD procedure as mentioned above is not completed within a year, no further loan disbursements shall be allowed.
- (f) 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, India Shelter shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- (g) The Company shall strictly monitor procedures including systems to generate requisite alerts, to ensure compliance with the above mentioned conditions.

## **17.3 Video based Customer Identification Process (“V-CIP”)**

India Shelter may undertake V-CIP, to carry out:

- (a) CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers. Provided that in case of CDD of a proprietorship

firm, Company shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm apart from undertaking CDD of the proprietor.

- (b) Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per Section 17 of the RBI KYC Directions.
- (c) Updation/Periodic updation of KYC for eligible customers.

India Shelter opting to undertake V-CIP, shall adhere to the following minimum standards:

#### **17.3.1 V-CIP Infrastructure**

- (a) The Company have complied with the RBI guidelines on minimum baseline cyber security and resilience framework for banks, as updated from time to time as well as other general guidelines on IT risks.
- (b) The technology infrastructure should be housed in own premises of the Company, unless cloud deployment model is used, and the V-CIP connection and interaction should necessarily originate from its own secured network domain. Any technology related outsourcing for the process shall be compliant with the applicable RBI directions/ guidelines. If cloud deployment model is used, it shall be ensured that the ownership of data in such model rests with the Company only and all the data including video recording is transferred to the Company's exclusively owned/ leased server(s) including cloud server, if any, immediately after the V-CIP process is completed and no data shall be retained by the cloud service provider or third-party technology provider assisting the V-CIP of the Company.
- (c) The Company shall ensure end-to-end encryption of data between customer device and the hosting point of the V-CIP application, as per appropriate encryption standards. The customer consent should be recorded in an auditable and alteration proof manner.
- (d) The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.
- (e) The video recordings should contain the live GPS co-ordinates (geo-tagging) of the customer undertaking the V-CIP and date-time stamp. The quality of the live video in the V-CIP shall be adequate to allow identification of the customer beyond doubt.
- (f) The application shall have components with face liveness/ spoof detection as well as face matching technology with high degree of accuracy, even though the ultimate responsibility of any customer identification rests with the Company.
- (g) Based on experience of detected / attempted / 'near-miss' cases of forged identity, the technology infrastructure including application software as well as workflows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber event under extant regulatory guidelines.
- (h) The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, penetration testing and a security audit to ensure its robustness and end-to-end encryption capabilities. Any critical gap reported under this process shall be mitigated before rolling out its implementation. Such tests



should be conducted by the empaneled auditors of Indian Computer Emergency Response Team (CERT-In) and shall be in conformity with the applicable regulatory guidelines.

- (i) The V-CIP application software and relevant APIs / webservises shall also undergo appropriate testing of functional, performance, maintenance strength before being used in live environment. Only after closure of any gap found during such test, the application should be rolled out. Such tests shall also be carried out periodically in conformity with internal/ regulatory guidelines.

### **17.3.2 V-CIP Procedure**

- (a) India Shelter shall formulate a clear workflow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of the Company, trained for this purpose. The official should be capable to carry out liveness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon it.
- (b) Disruption of any sort including pausing of video, reconnecting calls, etc., should not result in creation of multiple video files. If pause or disruption does not lead to the creation of multiple files, then the Company may not initiate a fresh session. However, in case of call drop / disconnection, a fresh session initiated.
- (c) The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interaction shall be varied in order to establish that the interactions are real-time and not pre-recorded.
- (d) Any prompting, observed at end of customer shall lead to rejection of the account opening process.
- (e) The fact of the V-CIP customer being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of workflow.
- (f) The official performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:
  - (i) OTP based Aadhaar e-KYC authentication.
  - (ii) Offline Verification of Aadhaar for identification.
  - (iii) KYC records downloaded from CKYCR in accordance with section 56 of the RBI KYC Directions, using the KYC identifier provided by the customer.
  - (iv) Equivalent e-document of officially valid documents including documents issued through Digilocker.
- (g) India Shelter shall ensure to redact or blackout the Aadhaar number in terms of Section 16 of the RBI KYC Directions.
- (h) 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 working days from the date of carrying out V-CIP.

- (i) Further, in line with the prescribed period of three days for usage of Aadhaar XML file / Aadhaar QR code, Officials shall ensure that the video process of the V-CIP is undertaken within 3 working days of downloading / obtaining the identification information through CKYCR/ Aadhaar authentication/ equivalent e-document, if in the rare cases, the entire process cannot be completed in one go or seamlessly. However, officials should also ensure that no incremental risk is added due to this.
- (j) If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.
- (k) Officials 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 including through Digilocker.
- (l) Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.
- (m) The authorised official 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.
- (n) All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.
- (o) All matters not specified under the paragraph but required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the Company.

### **17.3.3 V-CIP Records and Data Management**

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

## **17. CDD Measures for Sole Proprietary firms**

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out as prescribed in the Paragraph 17 of the Policy.

In addition to:

- (a) Pan Card / Form 60, and
- (b) Any one Officially Valid Documents: Passport, driving licence, voters' ID card, Aadhaar letter issued by UIDAI and Job Card issued by NREGA signed by a State Government official.

Any two of the following documents or the equivalent e-documents there of as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- (i) Registration certificate including Udyam Registration Certificate (URC) issued by the Government.
- (ii) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- (iii) Sales and income tax returns.
- (iv) CST/VAT/ GST certificate (provisional/final).
- (v) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- (vi) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- (vii) 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.
- (viii) Utility bills such as electricity, water, landline telephone bills, etc.

In cases where India Shelter is satisfied that it is not possible to furnish two such documents, at own discretion, may accept only one of those documents as proof of business/activity. Provided the officials shall 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.

## **18. CDD Measures for Legal Entities**

**19.1 For a company-** For opening an account of a company, certified copies 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 Paragraph 17 of this Policy, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.
- (f) Names of the relevant persons holding senior management position.
- (g) Registered office and the principal place of its business, if it is different.

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

- (a) Registration Certificate if the Partnership Deed is registered; or Certificate of Incorporation issued by the Registrar of Companies.
- (b) Partnership Deed, or LLP Agreement between the partners or between the LLP and its partners.
- (c) Permanent Account Number of the Partnership Firm.

- (d) Documents, as specified in Paragraph 17 of this Policy, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.

**19.3 For a Trust-** For opening an account of a trust, certified copies 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 Paragraph 17 of this Policy, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- (e) The names of the beneficiaries, trustees, settlor and authors of the trust.
- (f) The address of the registered office of the trust.
- (g) The list of trustees and documents, as specified in Paragraph 17 of the Policy, for those discharging the role as trustee and authorised to transact on behalf of the trust.

**19.4 For an unincorporated association or a body of individuals-** For opening an account of an unincorporated association or a body of individuals, certified copies 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 Paragraph 17 of this Policy, 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 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.*

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

- (a) Document showing name of the person authorised to act on behalf of the entity:
- (b) Documents, as specified in Paragraph 17 of this Policy, of the person holding an attorney to transact on its behalf and
- (c) Such documents as may be required to establish the legal existence of such an entity/juridical person.

## **19. Identification of Beneficial Owner**

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

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

In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/ nominee, or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

## **(F) ON-GOING DUE DILIGENCE AND MONITORING OF TRANSACTIONS**

### **20. Monitoring of Transactions**

Constant monitoring is an essential element of effective KYC procedures. The loan facilities extended by India Shelter are tenure based with instalments paid through electronic clearing system (ECS) mandate, Direct Debit Mandate (DDM) or Automated Clearing House (ACH) with low incident of cash repayment.

Unusually large cash transactions will be rare given that India Shelter discourages cash repayments and does not accept any cash repayment higher than ₹2 Lakh in line with Section 269 ST of Income Tax Act. India Shelter will still pay special attention to all unusually large cash transactions as provided under the PML Rules or the RBI KYC Directions. Monitoring for cash transactions especially for loan closures will be done and reviewed by India Shelter periodically for identifying anomalies and to carry out due diligence if required as to source of funds or re-verifying identity of the borrower.

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

- (a) Large and complex transactions with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- (c) Cash repayments above certain thresholds.
- (d) Frequent prepayments above some thresholds not consistent with the customer's repayment capacity.
- (e) Frequent cash repayments.

The extent of monitoring shall be aligned with the risk category of the customer and shall be ensured specifically in high-risk loan accounts.

### **21. Periodic Updation**

India Shelter shall adopt a risk-based approach for periodic KYC updation which shall be carried out from the date of opening of the account/ last KYC updation as below:

- (a) once in every two years for high risk customers;
- (b) once in every eight years for medium risk customers; and
- (c) once in every ten years for low risk customers.

#### **22.1 Individual Customers**

- (a) **No change in KYC information:** In case of no change in the KYC Information, a self-declaration from the customer in this regard shall be obtained through customer's

email-id, customer's mobile number, digital channels (such as online portal or mobile application of India Shelter), letter registered, etc.

- (b) Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-ID, customer's mobile number registered with Company, digital channels (such as online portal or mobile application of India Shelter), letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.

Further, India Shelter, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Paragraph 7(w) of this Policy, for the purpose of proof of address, declared by the customer at the time of periodic updation.

- (c) Aadhaar OTP based e-KYC in non-face to face mode** may be used for periodic updation. It may be noted that the conditions stipulated in Sub-paragraph 17.2 of this Policy shall be not applicable in case of updation / periodic updation of KYC through Aadhaar OTP based e-KYC in non-face to face mode. Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. However, the Company shall ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer's profile, in order to prevent any fraud.

## **22.2 Customers other than Individuals:**

- (a) No change in KYC information:** In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email ID registered with India Shelter, digital channels (such as online portal or or mobile application of India Shelter), letter from an official authorized by the LE in this regard, board resolution etc.

Further, Company shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.

- (b) Change in KYC information:** In case of change in KYC information, officials shall undertake the KYC process equivalent to that applicable for on-boarding a new non-individual customer.

## **22.3 Additional measures-** In addition to the above, the Company shall ensure compliance with the following:

- (a)** The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the Company are not as per the current CDD standards.
- (b)** In case the validity of the CDD documents available with the company has expired at the time of periodic updation of KYC, the officials shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
- (c)** A customer's PAN details, if available with the Company, is verified from the database of the issuing authority at the time of periodic updation of KYC.
- (d)** Once updated KYC documents/ information are provided to it, the Company shall provide an acknowledgment to the customer mentioning the date of receipt of the

relevant document(s) including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the Company and an intimation, mentioning the date of updation of KYC details, is provided to the customer.

- (e) In order to ensure customer convenience, the Company shall consider making available the facility of periodic updation of KYC at any branch.
- (f) Further, the Company shall adopt a risk based approach with respect to periodic updation of KYC and, as per discretion of the Principal Officer or any member of the Senior Management, the Company may decide to obtain recent photograph, requirement of physical presence of the customer, requirement of periodic updation of KYC only in the branch where account is maintained, a more frequent periodicity of KYC updation than the minimum specified periodicity etc.
- (g) The Company, in order to comply with the PML Rules, shall bind its customers, through a loan agreement or any other relevant document, that, in case of any update in the KYC information/ documents submitted by the customer at the time of establishment of business relationship or last submitted, the customers shall be required to submit to the Company the update of such documents, within 30 days of the update to such documents.
- (h) The Company shall ensure that their internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.

## **22. Monitoring vis-à-vis the Negative List or Adverse Information Received**

The Company shall ensure monitoring of its customers vis-à-vis the following information:

- (i) Probable match of a customer's identity with the details provided in the UN Sanctioned Terrorist List, other lists prescribed in the Policy or any other lists prescribed by the RBI.
- (ii) Any material complaint or alert, from a money laundering risk perspective, received against a customer of the Company.
- (iii) Query or information received from a Law Enforcement Agency regarding a customer of the Company.

## **23. Periodical Review of Risk Categorization**

The Company will put in place a system of periodical review of risk categorization of accounts. The Company will carry out such a review of risk categorization of customers at a periodicity of not less than once in six months. In case of higher risk perception on a customer, the Company shall assess the need for applying enhanced due diligence measures.

## **(G) ENHANCED DUE DILIGENCE**

### **24. Enhanced Due Diligence (EDD) Measures**

The Company, for its medium and high-risk customers, shall conduct the EDD. Any business relationship with a high risk or medium risk customers shall require approval from a credit authority higher to the first level of credit authority matrix. Further, any suspicious triggers relating to higher risk customer's transactions shall be reviewed more rigorously.

For higher risk customers, as part of the EDD measures, the Company shall collect additional information and documentation regarding the following if already not collected as part of CDD:

- (i) Purpose of the account/ end-use.
- (ii) Source of income/ funds.
- (iii) Review of income/ financial statements and banking statements.
- (iv) Diligence regarding the customer's occupation and repayment capacity.
- (v) Proximity of the customer's residence, place of employment, or place of business.
- (vi) Due diligence of the individuals with ownership or control over the account, such as beneficial owners, signatories, or guarantors, if any.

Further, as part of the EDD procedures, the Company shall follow a system of periodic updation of KYC information for various categories of the customers as prescribed in this Policy.

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

The Company, before establishing a relationship with the PEPs including as a beneficial owner, shall ensure the following:

- (i) Sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP.
- (ii) Identity shall be verified before accepting the PEP as a customer.
- (iii) Decision to open an account for a PEP shall be taken by the Head-Credit.
- (iv) All such accounts are subjected to enhance monitoring on an on-going basis.
- (v) In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, an approval from the Head- Credit shall be obtained.
- (vi) The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

## **(H) POLICY GUIDELINES RELATING TO REPORTING REQUIREMENTS**

### **26. Reporting of Match with the Prescribed Negative/ Terrorist Lists**

Details of customers matching/ resembling with any of the individuals/entities featuring in the negative/ terrorist lists mentioned in the Paragraph 12 of this Policy shall be reported to the National Housing Bank, the FIU-IND in addition to intimating the Ministry of Home Affairs ("MHA") as required under UAPA notification dated February 2, 2021 (*which is enclosed as Annex II of the RBI KYC Directions*).

### **27. Reporting of Prescribed Transactions to the Financial Intelligence Unit-India (FIU-IND) in accordance with the PMLA and the PML Rules**

As and when such prescribed transactions take place, the Company shall furnish the required reports to the FIU-IND as under:

**28.1 Reporting of Cash Transaction above ₹10 Lakh-** If the following transactions take place during a month, the Company shall file the Cash Transaction Report ("CTR") to the FIU-IND by 15<sup>th</sup> day of the succeeding month:

- (a) all cash transactions of the value of more than ₹10 Lakh; or
- (b) all series of cash transactions integrally connected to each other which have been valued below ₹10 Lakh where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds ₹10 Lakh.



**28.2 Reporting of Suspicious Transaction-** The Company shall investigate the triggers indicating suspicious activity, and, after review/ investigation, the Company may identify a transaction as the Suspicious Transaction as defined in the Policy.

Once a transaction is categorised as the Suspicious Transaction, the same shall be reported to FIU-IND. The Company shall file the Suspicious Transaction Report (“STR”) to the FIU-IND within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature.

In this regard, the Company will not put any restriction on operations in the accounts where an STR has been filed. Further, the Company 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.

**28.3 Reporting of Counterfeit Currency-** If there happens to be any cash transactions identified where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transactions, the Company shall report the same to the FIU-IND as Counterfeit Currency Report by 15<sup>th</sup> day of the succeeding month.

## **28. Sharing KYC Information with the Central KYC Records Registry (CKYCR)**

In terms of provision of Rule 9(1A) of the PML Rules, the Company shall capture customer’s KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.

The Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the PML Rules, as per the KYC templates prescribed for ‘Individuals’ and ‘Legal Entities’. The Company shall upload KYC records pertaining to accounts of LEs opened with CKYCR in terms of the provisions of the Rules.

Once KYC Identifier is generated by CKYCR, the Company shall ensure that the same is communicated to the individual/ LE as the case may be.

**(a)** In order to ensure that all KYC records are incrementally uploaded onto the CKYCR, in case of accounts of individual customers and LEs opened prior to the date when CKYCR upload became effective, the Company shall upload the updated KYC information to CKCYR as and when the same is obtained/ received from such customer at the time of periodic updation.

## **29. Records pertaining to Non-Profit Organizations, if any, to be reported to DARPAN Portal**

If the Company has customers which are non-profit organizations, it shall register details of such customers on the DARPAN Portal of NITI Aayog.

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

The Company shall adhere to the provisions of the Income Tax Rules 114F, 114G and 114H, as and when applicable as a reporting financial institution.

## **(I) AUDIT AND ASSURANCE**

### **31. Evaluation of Compliance function**

Compliance function will be subject to internal audit as per the regulatory requirements.

### **32. Audit of KYC / AML**

The Company shall ensure that compliance with the KYC and AML Policy and related procedures is assured/ audited periodically as under:

- (a) Concurrent Audit: Monthly review of loan files which will inter alia includes verification that proper KYC verification has been done for the customers.
- (b) Field Audit: Periodic visit to sample set of customers where on-field verification of KYC of the customers will be done by the field audit team.
- (c) Internal Audit: An independent Internal Audit to verify compliance with KYC and AML Policy and related procedures.

### **33. Quarterly Audit Notes to Audit Committee of Board**

Compliance function shall be submitting quarterly note on status of compliance with the KYC & AML requirements to the Audit Committee of the Board.

### **34. Money Laundering and Terrorist Financing Risk Assessment**

- (a) India Shelter shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate money laundering and terrorist financing risk for clients, geographic areas, products, services, transactions or delivery channels, etc. It shall also consider the factors such as any regulatory/ supervisory directions, inspection findings, regulatory/ supervisory action etc.
- (b) The assessment process shall 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, it shall be ensured that there is cognizance of the overall sector-specific vulnerabilities, if any, that the NHB and RBI may share from time to time.
- (c) The assessment shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/ structure, etc. Further, the risk assessment exercise shall be conducted at least once in a year.
- (d) The risk assessment report shall be put up to the Enterprise Risk Management Committee (ERMC) and the Board as and when such assessment is conducted.
- (e) The Company shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk.
- (f) Three layered defense mechanism shall be applied and adopted to mitigate ML and TF risk in the organization. These checks shall be followed in below manner:
  - (i) The first line of check shall be performed by business units (Front Office and Hindsight unit);
  - (ii) The second line of check shall be the Compliance function; and
  - (iii) The third and final line of check shall be undertaken by Internal Audit function.

### **(J) RECORDS MANAGEMENT**

#### **35. Maintenance & Preservation of records**

India Shelter shall continue to maintain records in such form and for such period as specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

India Shelter shall continue to have a system for proper maintenance and preservation of information in hard or soft format that allows information to be retrieved easily and quickly whenever required or requested by the competent authorities. In this regard, the Company shall take the following steps:

- (a) It shall maintain all necessary records of transactions between the HFC 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) which are as under:
  - (i) all cash transactions, carried-out at single instance, of the value of more than ₹10 Lakh.
  - (ii) all series of cash transactions integrally connected to each other which have been valued below Rs.10 lakh where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds ₹10 Lakh.
  - (iii) all transactions involving receipts by non-profit organizations of ₹10 Lakh.
  - (iv) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transactions; and
  - (v) all suspicious transactions whether or not made in cash or otherwise.
- (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.

### **36. Records pertaining to Non-Profit Organizations to be Maintained**

If the Company has customers which are non-profit organizations, the Company shall also maintain such registration records for a period of 5 years after the business relationship between such customer and the Company has ended or closed, whichever is later.

## **(K) OTHER INSTRUCTIONS**

### **37. Selling Third Party Products**

In case the Company acts as an agent for selling any third-party products (permitted as per the extant regulations), it shall ensure compliance with the following aspects:

- (a) The identity and address of the walk-in customer shall be verified as per the extant applicable regulatory requirements before undertaking any transaction.
- (b) Transaction details of sale of third-party products and related records shall be maintained.
- (c) Monitoring of transactions for any suspicious activity will be done.

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

- (a) India Shelter shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender 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 the Government and other agencies, the Company shall satisfy itself that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the transactions with its customer.
- (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 the Company requires disclosure; and
  - (iv) Where the disclosure is made with the express or implied consent of the customer.

### **39. Introduction of New Technologies**

Adequate attention shall be paid 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 are duly complied with before introducing new products, services and technologies.

Further, for customer due diligence through modes like V-CIP and on-going due diligence, the Company shall endeavour to adopt appropriate new technologies including artificial intelligence and machine learning which shall be commensurate to the money laundering risk perceived for the business undertaken by the Company with its customers.

### **40. Quoting of PAN**

Permanent account number (PAN) or equivalent e-document thereof of customers shall be obtained and verified while undertaking transactions (*e.g. for cash collection of ₹50,000/- and more from a customer in a single day*) as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN or equivalent e-document thereof.

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

- (a) As part of the hiring process of the employees, the Company shall put in place an adequate screening mechanism.
- (b) The Company shall endeavour to ensure that the staff dealing with/ being deployed for KYC/ AML/ CFT matters have the following values and skills:
  - (i) high integrity and ethical standards;
  - (ii) good understanding of extant KYC/ AML/ CFT standards;
  - (iii) effective communication skills; *and*
  - (iv) ability to keep up with the changing KYC, AML and CFT landscape, nationally and internationally.
- (c) The Company shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.

- (d) The Company shall organise employee training programmes so that the members of staff are adequately trained in the KYC and AML Policy requirements. 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.
- (e) The Company shall ensure proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies of the Company, regulation and related issues.

#### **42. Approval/ Amendment / Modification / Review of the Policy and the Procedures**

- (i) The KYC & AML Policy shall be recommended by the Principal Officer and reviewed by the Designated Director before placing the same to the Board of Directors.
- (ii) There shall be an annual review of the Policy unless required earlier by the RBI KYC Directions. Further, India Shelter with the approval of the Board of Directors, may, at any point of time, modify or amend, either the whole or any part of this Policy.

However, any immediate changes required in the Policy with an objective to comply with the RBI KYC Directions/ PMLA/ PML Rules or due to operational aspects may be carried-out with the approval of the Designated Director on recommendation of the Principal Officer. Further, such amendments shall be placed before the Board for ratification in the immediate next meeting of the Board.

- (iii) The Designated Director or the Principal Officer shall have authority to approve the procedures to implement the Policy.
- (iv) Statutory changes will be read mutatis mutandis in the policy document even if not amended.
- (v) Any clause or reference in the policy document which is contrary to or on violation of statutory or regulatory shall be deemed to be severed from the Policy

#### ***Annexure I***

#### **DIGITAL KYC PROCESS**

If the Company, in future, intends to implement Digital KYC Process, it shall adhere to the following requirements:

1. The Company shall develop an Application for Digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application.
2. The access of the Application shall be controlled by India Shelter, and it should be ensured that the same is not used by unauthorized persons. Such an Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by the Company to authorized officials.
3. The customer, for the purpose of KYC, shall visit the location of the authorized official or vice-versa. The original OVD shall be in the possession of the customer.
4. The Company shall 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, it shall be ensured that the system Application puts a water-mark in readable form having CAF

number, GPS coordinates, authorized official's name, unique employee Code (assigned by REs) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.

5. The Application shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.
6. 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.
7. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
8. 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 may 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.
9. 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 officer shall not be used for customer signature. The Company shall put in place adequate checks to ensure that the mobile number used in customer signature is not the mobile number of the authorized officer.
10. 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 India Shelter. 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.
11. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of the company, 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.
12. The authorized officer shall check and verify that:
  - (a) information available in the picture of document is matching with the information entered by authorized officer in CAF;
  - (b) live photograph of the customer matches with the photo available in the document.; and
  - (c) all of the necessary details in CAF including mandatory field are filled properly.

13. On Successful verification, the CAF shall be digitally signed by authorized officer who will take a print of CAF, get signatures/thumb-impresion of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.

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