



**EASY HOME FINANCE LIMITED**

**DEPARTMENT NAME: SECRETARIAL & COMPLIANCE**

**KYC/AML POLICY**

**Version: EHFL/FY-2024-25/JUNE/KYC AML POLICY/  
VERSION: 6**

**Effective Date: 08/JUNE/2024**

**\*Policy shall be valid until next review**

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Description
Prepared by: Secretarial & Compliance Department
Reviewed by: Enterprise Risk Management Committee
Approved by: Board of Directors

**VERSION HISTORY:**

<b>Version</b>	<b>Date of applicability</b>	<b>Description of Changes</b>
1	Inception	First Draft
2	June 22, 2019	Second Draft
3	September 25, 2020	Third Draft
4	September 17, 2021	Fourth Draft
5	October 10, 2022	Fifth Draft
6	August 18, 2023	Sixth Draft
7	February 16, 2024	Seventh Draft
8	June 08, 2024	Eighth Draft

**KYC & AML POLICY-**  
**[Vide RBI issued KYC Master Directions, 2016 updated as on January 04, 2024]**

**“Applicable via DOR.NBFC(HFC) CC. No.111/03.10.136/2019-20 issued dated  
May 19, 2020 via RBI”**

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

**BACKGROUND:**

The Finance (No.2) Act, 2019, has amended the National Housing Bank Act, 1987 conferring certain powers for regulation of Housing Finance Companies (HFCs) with Reserve Bank of India (RBI). The provisions of the said Act came into force w.e.f. August 09, 2019. Consequently, RBI vide a Press Release dated August 13, 2019, informed that the HFCs will henceforth be treated as one of the categories of Non-Banking Financial Companies (NBFCs) for regulatory purposes.

The Master Direction – Know Your Customer (KYC) Direction, 2016 issued by the Reserve Bank of India has consolidated directions on Know Your Customer (KYC), Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) and is applicable to all Regulated Entities of RBI. As HFCs are also entities to be regulated by the RBI after the said transfer of regulation, RBI, on May 19, 2020, decided to extend the said Master Direction to all HFCs and repealed the instructions/guidelines/regulations issued by the National Housing Bank from time to time in this regard. Accordingly, the Master Direction –Know Your Customer (KYC) Direction, 2016 issued by the Reserve Bank of India also applies to EHFL.

The KYC Policy framed hereunder is to be read and followed in conjunction with Know Your Customer (KYC) Direction, 2016, as amended from time to time, issued by the RBI or any other applicable law in force and in the event of any inconsistency, the latter shall prevail.

The Company shall further ensure compliance with the provisions of the Prevention of Money-Laundering Act, 2002, and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s).

**PREAMBLE:**

Prevention of Money Laundering Act, enacted by the Parliament in 2002, makes it obligatory for all the financial intermediaries like banks, financial institutions, Non-Banking Financial Companies (NBFCs), Housing Finance Companies (HFCs) etc. to follow 'Know Your Customer' norms which basically define the customer identification process. As per the KYC principles, intermediaries have to collect documents known as KYC

documents before entering into any transaction with the customers. The KYC process includes making reasonable efforts to determine true identity and beneficial ownership of accounts, source of funds, nature of customer's business, reasonableness of operations in the account vice-versa customer's business/income profile etc.

The KYC requirement is applicable to all categories of customers transacting with any financial intermediary. The Guidelines on 'Know Your Customer' and 'Anti-Money Laundering Measures' for Easy Home Finance Limited that are to be followed are enlisted below

**OBJECTIVE:**

The objective of KYC/AML policy is to prevent banks from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. KYC procedures enable Banks/ Financial Intermediaries to understand their customers and their financial dealings better, which in turn help them manage their risks prudently. The KYC process has become the utmost necessity for all financial intermediaries in the era of fast dispersion money-laundering hazard across the globe.

In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, EHFL is required to follow certain customer identification procedures while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions. EHFL shall take steps to implement provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s).

- (a) To establish a regulatorily compliant KYC mechanism to on-board customers;
- (b) To ensure compliance throughout the life-cycle of customers as per the laid down norms
- (c) To prevent the Company's business channels/products/services from being used as a channel for Money Laundering("ML")/ Terrorist Financing("TF");
- (d) To establish a framework for adopting appropriate AML procedures and controls in the operations/business processes of the Company;
- (e) To ensure compliance with the laws and regulations in force from time to time;
- (f) To protect the Company's reputation;
- (g) To lay down KYC-AML compliance norms for the employees of the Company.

Accordingly, in exercise of the powers conferred by Sections 35A of the Banking Regulation Act, 1949, the Banking Regulation Act (AACS), 1949, read with Section 56 of the Act *ibid*, Rule 9(14) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and all other laws enabling the Reserve Bank in this regard, the Reserve Bank

of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Directions hereinafter specified.

### **SHORT TITLE AND COMMENCEMENT:**

1.1. These Guidelines shall be called the Guidelines on 'Know Your Customer' & 'Anti-Money Laundering Measures' for EHFL.

1.2. These Guidelines shall come into effect on the day they are placed on the official website of the Reserve Bank of India.

### **2. Applicability:**

The provisions of these Guidelines shall apply to EHFL and all its branches regulated by the National Housing Bank and Reserve Bank of India, except where specifically mentioned otherwise.

These Guidelines are issued under the Reserve Bank of India Act, 1934 and any contravention of or non-compliance with the same may attract penal consequences under the said Act.

### **3. Definitions:**

3.1. In these Guidelines, unless the context otherwise requires, the terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

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

**ii. "Act" and "Rules"** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.

**iii. "Authentication"**, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

#### **iv. Beneficial Owner (BO)**

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

Explanation- For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of/entitlement to more than 10 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 10 percent of capital or profits of the partnership or who exercises control through other means.

Explanation - For the purpose of this sub-clause, “control” shall include the right to control the management or policy decision.

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 10% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

v. **“Certified Copy”** - Obtaining a certified copy by the RE shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the RE as per the provisions contained in the Act.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy, certified by any one of the following, may be obtained:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

**vi. “Central KYC Records Registry” (CKYCR)** means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

**vii. “Designated Director”** means a person designated by the RE to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include: a. the Managing Director or a whole-time Director, duly authorized by the Board of Directors, if the RE is a company.

b. the Managing Partner, if the RE is a partnership firm,

c. the Proprietor, if the RE is a proprietorship concern,

d. the Managing Trustee, if the RE is a trust,

e. a person or individual, as the case may be, who controls and manages the affairs of the RE, if the RE is an unincorporated association or a body of individuals, and

f. a person who holds the position of senior management or equivalent designated as a 'Designated Director' in respect of Cooperative Banks and Regional Rural Banks.

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

**viii. “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 RE as per the provisions contained in the Act.

**ix. “Digital Signature”** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).

**x. “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.

**Xa. “Group”** – The term “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).\*

*\*"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”*

**xi. “Know Your Client (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry.

**xii. “Non-profit organisations” (NPO)** means any entity or organisation, constituted for religious or charitable purposes 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 (18 of 2013).

**xiii. “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,

a. where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.

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

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

c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at ‘b’ above

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

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

**Xiv - “Offline verification”** shall have the same meaning as assigned to it in clause(pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).



- **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.

**xv. “Person”** has the same meaning assigned in the Act and includes:

- a. an individual,
- b. a Hindu undivided family,
- c. a company,
- d. a firm,
- e. an association of persons or a body of individuals, whether incorporated or not,
- f. every artificial juridical person, not falling within any one of the above persons (a to e), and
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).

**xvi. “Principal Officer”** means an officer at the management level nominated by the RE, responsible for furnishing information as per rule 8 of the Rules.

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

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

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

**xviii. A ‘Small Account’** means a savings account which is opened in terms of sub-rule (5) of rule 9 of the PML Rules, 2005. Details of the operation of a small account and controls to be exercised for such account are specified in Section 23.

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

- a. opening of an account;
- b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- c. the use of a safety deposit box or any other form of safe deposit;

- d. entering into any fiduciary relationship;
- e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
- f. establishing or creating a legal person or legal arrangement.

**xx. “ 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 the RE by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for 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 CIP for the purpose of this Master Direction.

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

- i. “Common Reporting Standards” (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
- ia. Correspondent Banking: Correspondent banking is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). Respondent banks may be provided with a wide range of services, including cash management (e.g., interest-bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts and foreign exchange services.
- ii. “Customer” means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- iii. “Walk-in Customer” means a person who does not have an account-based relationship with the RE, but undertakes transactions with the RE.
- iv. “Customer Due Diligence (CDD)” means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

Explanation – The CDD, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or any international money transfer operations, shall include:

- (a) Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable;
- (b) Taking reasonable steps to understand the nature of the customer's business, and its ownership and control;

(c) Determining whether a customer is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.

v. “Customer identification” means undertaking the process of CDD.

vi. “FATCA” means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

vii. “IGA” means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.

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

ix. “Non-face-to-face customers” means customers who open accounts without visiting the branch/offices of the REs or meeting the officials of REs.

x. “On-going Due Diligence” means regular monitoring of transactions in accounts to ensure that those are consistent with EHFL’s knowledge about the customers, customers’ business and risk profile, the source of funds / wealth.

Xa. Payable-through accounts: The term payable-through accounts refers to correspondent accounts that are used directly by third parties to transact business on their own behalf.

xi. “Periodic Updation” means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.

xii. “Regulated Entities” (REs) means

a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (StCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’

b. All India Financial Institutions (AIFIs)

c. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).

d. Asset Reconstruction Companies (ARCs)

e. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)

f. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

xiii. “Shell bank” means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence.

xiv. "Wire transfer" related definitions:

- a. Batch transfer: Batch transfer is a transfer comprised of a number of individual wire transfers that are being sent to the same financial institutions but may/may not be ultimately intended for different persons.
- b. Beneficiary: Beneficiary refers to a natural or legal person or legal arrangement who / which is identified by the originator as the receiver of the requested wire transfer.
- c. Beneficiary RE: It refers to a financial institution, regulated by the RBI, which receives the wire transfer from the ordering financial institution directly or through an intermediary RE and makes the funds available to the beneficiary.
- d. Cover Payment: Cover Payment refers to a wire transfer that combines a payment message sent directly by the ordering financial institution to the beneficiary financial institution with the routing of the funding instruction (the cover) from the ordering financial institution to the beneficiary financial institution through one or more intermediary financial institutions.
- e. Cross-border wire transfer: Cross-border wire transfer refers to any wire transfer where the ordering financial institution and beneficiary financial institution are located in different countries. This term also refers to any chain of wire transfer in which at least one of the financial institutions involved is located in a different country.
- f. Domestic wire transfer: Domestic wire transfer refers to any wire transfer where the ordering financial institution and beneficiary financial institution are located in India. This term, therefore, refers to any chain of wire transfer that takes place entirely within the borders of India, even though the system used to transfer the payment message may be located in another country.
- g. Financial Institution: In the context of wire-transfer instructions, the term 'Financial Institution' shall have the same meaning as has been ascribed to it in the FATF Recommendations, as revised from time to time.
- h. Intermediary RE: Intermediary RE refers to a financial institution or any other entity, regulated by the RBI which handles an intermediary element of the wire transfer, in a serial or cover payment chain and that receives and transmits a wire transfer on behalf of the ordering financial institution and the beneficiary financial institution, or another intermediary financial institution.
- i. Ordering RE: Ordering RE refers to the financial institution, regulated by the RBI, which initiates the wire transfer and transfers the funds upon receiving the request for a wire transfer on behalf of the originator.
- j. Originator: Originator refers to the account holder who allows the wire transfer from that account, or where there is no account, the natural or legal person that places the order with the ordering financial institution to perform the wire transfer.
- k. Serial Payment: Serial Payment refers to a direct sequential chain of payment where the wire transfer and accompanying payment message travel together from the ordering financial institution to the beneficiary financial institution directly or through one or more intermediary financial institutions (e.g., correspondent banks).

- l. Straight-through Processing: Straight-through processing refers to payment transactions that are conducted electronically without the need for manual intervention.
  - m. Unique transaction reference number: Unique transaction reference number refers to a combination of letters, numbers or symbols, determined by the payment service provider, in accordance with the protocols of the payment and settlement system or messaging system used for the wire transfer.
  - n. Wire transfer: Wire transfer refers to any transaction carried out on behalf of an originator through a financial institution by electronic means with a view to making an amount of funds available to a beneficiary at a beneficiary financial institution, irrespective of whether the originator and the beneficiary are the same person.
- xv. "Domestic and cross-border wire transfer": When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the 'originator bank' or 'beneficiary bank' is located in different countries such a transaction is cross-border wire transfer.

**"UCIC"** means Unique Customer Identification Code, i.e., unique customer-ID allotted to individual customers while entering into new relationships as well as to the existing customers. All the accounts of an individual customer will be opened under his / her UCIC.

(c) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

**Here EASY HOME FINANCE LIMITED is a RE i.e. 'REGULATED ENTITY'.**

#### **4. Designated Director:**

- (a) A "Designated Director" means a person designated by the EHFL to ensure overall compliance with the obligations imposed under Chapter VI of PMLA Act and Rules and shall be nominated by the Board of the EHFL. The Designated Director of EHFL will be the Managing Director.
- (b) The name, designation and address of the Designated Director, including changes from time to time, shall be communicated to the Director, FIU-IND and also to the National Housing Bank.

Further, the name, designation, address and contact details of the Designated Director shall also be communicated to the RBI.

- (c) In no case, the 'Principal Officer' shall be nominated as the 'Designated Director'.

## 5. **Principal Officer:**

- (a) **EHFL** shall appoint a "Principal Officer".
- (b) The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.
- (c) The name, designation and address of the Principal Officer, including changes from time to time, shall be communicated to the Director, Financial Intelligence Unit - India (FIU-IND) and also to the National Housing Bank.
- (d) Further, the name, designation, address and contact details of the Principal Officer shall also be communicated to the RBI.

In terms of PML Rules, groups are required to implement group-wide policies for the purpose of discharging obligations under the provisions of Chapter IV of the PML Act, 2002. (15 of 2003). Accordingly, every RE which is part of a group, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

EHFL policy framework should seek to ensure compliance with PML Act/Rules, including regulatory instructions in this regard and should provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks. While ensuring compliance of the legal/regulatory requirements as above, EHFL may also consider adoption of best international practices taking into account the FATF standards and FATF guidance notes, for managing risks better.

**EHFL** has framed a KYC/AML Policy to control the following elements:

- i) To lay down the criteria for acceptance of customers (Customer Acceptance Policy)
- ii) To manage Risk
- iii) To establish the process and procedure of identification of Customer
- iv) To Monitor the transactions

### **5A. Money Laundering and Terrorist Financing Risk Assessment by REs:**

- A. EHFL shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc. The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, EHFL shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with REs from time to time.
- B. The risk assessment by EHFL shall be properly documented and be proportionate

to the nature, size, geographical presence, complexity of activities/structure, etc. of EHFL. Further, the periodicity of risk assessment exercise shall be determined by the Board or any committee of the Board of the EHFL to which power in this regard has been delegated, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

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

### **5B - CDD programme for mitigation and management of the identified risk**

EHFL shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. EHFL shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business. Further, EHFL shall monitor the implementation of the controls and enhance them if necessary.

## **6. Compliance of KYC policy**

**EHFL** shall ensure compliance with KYC Policy through:

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

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

## **A. CUSTOMER ACCEPTANCE POLICY**

**EHFL** shall lay down a clear Customer Acceptance Policy with explicit criteria for acceptance of customers. The Customer Acceptance Policy shall ensure that explicit guidelines are in place on the following aspects of customer relationship in the **EHFL**:

- (a) No account is opened in anonymous or fictitious/benami name.
- (b) No account is opened where EHFL 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. The EHFL shall

- consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to 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, where such information requirement has not been specified in the internal KYC Policy of the EHFL, is obtained with the explicit consent of the customer after the account is opened.
  - (f) EHFL shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of EHFL desires to open another account with the same EHFL, 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 indicated in Chapter IX of this MD.
  - (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, EHFL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
  - (l) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

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

Where EHFL forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.

## **B. RISK MANAGEMENT**

**EHFL** to prepare a profile for each new customer which may contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by **EHFL**. However, while preparing the customer profile, **EHFL** will seek only such information from the customer, which is relevant and is not intrusive. The customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purposes.



The 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 may be specified in this Policy. The Recommendations made by the Financial Action Task Force (FATF) on Anti-money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards should also be used in risk assessment. **EHFL** 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 EHFL.
- (b) Broad principles may be laid down by the REs for risk-categorisation of customers.
- (c) 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, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, 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.
- (d) The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

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.

EHFL shall categorize risk profile of individual customers into 3 (three) basic categories in order with the profile. The category along with the illustrative example is as below:

**i. Low Risk**

Low Risk individuals are those individuals (other than high net worth) and entities whose identities and sources of wealth can be easily identified and the transactions in whose accounts by and large conform to known profile. Low – risk customers shall include:

1. Salaried employees whose salary structures are well defined
2. People belonging to lower economic strata of the society whose accounts show small balances and low turnover.
3. Government departments/ Govt. owned companies' regulators and statutory bodies etc.

## **ii. Medium Risk**

The medium and high-risk customers shall be categorized on the basis of the customer's background, nature and location of activity, country of origin, sources of funds and client profile. Medium Risk customers shall include

1. Non- Resident customers (NRI/ PIO/ OCIs)
2. High Net Worth Individuals (HNIs),
3. Trust, charitable organizations, Non-Govt. Organization (NGO) and organization receiving donations
4. Companies having closed family share-holding or beneficial ownership.

## **iii. High Risk**

High risk customer shall typically include

1. non-resident customers
2. high net-worth individuals
3. trusts, charities, NGOs and organizations receiving donations
4. companies having close family shareholding or beneficial ownership,
5. firms with sleeping partners
6. politically exposed persons (PEPs) of foreign origin
7. non-face to face to customers and
8. Persons with dubious reputation as per public information available.
9. Persons whose sources of income are not clear

The Company shall subject accounts of such customers to intensive due diligence. In the event of an existing customer subsequently becoming a PEP, the Company shall obtain necessary approval of the Senior Management to continue the business relationship with such person and if in the affirmative than the Company to undertake enhanced monitoring at regular period.

The Company must undertake adequate steps to ensure that the implementation of this policy must not become too restrictive and must not result in denial of the Company's services to general public, especially to those, who are financially or socially disadvantaged.

### C. CUSTOMER IDENTIFICATION PROCESS

**EHFL** will follow clear RBI guidelines on the Customer Identification Procedure to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when **EHFL** has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. **EHFL** 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 **EHFL** must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Besides risk perception, the nature of information /documents required would also depend on the type of customer (individual, corporate etc.). In following cases identification should be done:

- (a) Commencement of an account-based relationship with the customer.
- (b) Carrying out any international money transfer operations for a person who is not an account holder of the bank.
- (c) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (d) Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand.
- (e) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- (f) When EHFL has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.
- (g) EHFL shall ensure that introduction is not to be sought while opening accounts.

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

- (a) Records or the information of the customer due diligence carried out by the

third party is obtained immediately from the third party or from the Central KYC Records Registry.

- (b) Adequate steps are taken by EHFL to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- (c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- (d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- (e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with EHFL.

#### **D. CUSTOMER DUE DILIGENCE PROCESS:**

##### **i. CDD in case of Individuals –**

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

##### **a. the Aadhaar number where,**

- (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
  - (ii) he decides to submit his Aadhaar number voluntarily to a bank or any RE notified under first proviso to sub-section (1) of section 11A of the PML Act; or
  - (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
  - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address;
  - (ac) the KYC Identifier with an explicit consent to download records from CKYCR; and
- b. the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
  - c. such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the EHFL:

Provided that where the customer has submitted,

- (i) Aadhaar number under clause (a) above to a bank or to EHFL notified under first proviso to sub-section (1) of section 11A of the PML Act, such bank or EHFL shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to EHFL.
- (ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, EHFL shall carry out offline verification.
- (iii) an equivalent e-document of any OVD, the RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under [Annex I](#).
- (iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, EHFL shall carry out verification through digital KYC as specified under [Annex I](#).
- (v) KYC Identifier under clause (ac) above, EHFL shall retrieve the KYC records online from the CKYCR in accordance with Section 56 of KYC Directions.

Provided that for a period not beyond such date as may be notified by the Government for a class of EHFL, instead of carrying out digital KYC, EHFL pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e- document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, REs shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e- document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of EHFL and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. EHFL shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and

additional details, if any. The database shall be subjected to periodic internal audit/inspection by EHFL and shall be available for supervisory review.

Explanation 1: EHFL shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

Explanation 2: Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.

Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

- 2.** Accounts opened using Aadhaar OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:
  - i. There must be a specific consent from the customer for authentication through OTP.
  - ii. As a risk-mitigating measure for such accounts, EHFL shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. EHFL shall have a board approved policy delineating a robust process of due diligence for dealing with requests for change of mobile number in such accounts.
  - iii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
  - iv. the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.
  - v. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
  - vi. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per Section 16 or as per Section 18 (V-CIP) is carried out. If Aadhaar details are used under Section 18, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
  - vii. If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
  - viii. 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 Financial Institution. Further, while uploading KYC information to CKYCR, EHFL shall clearly indicate that such accounts are opened using OTP based e-KYC and other Financial Institutions shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.

- ix. EHFL shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above-mentioned conditions.

**3. EHFL may undertake V-CIP to carry out:**

- i) 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, EHFL shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 28, apart from undertaking CDD of the proprietor.

- ii) Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per Section 17.

- iii) Updation/Periodic updation of KYC for eligible customers.

In order to undertake V-CIP, EHFL shall adhere to the following minimum standards:

**(a) V-CIP Infrastructure**

- i) EHFL should 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. The technology infrastructure should be housed in own premises and the V-CIP connection and interaction shall necessarily originate from its own secured network domain. Any technology related outsourcing for the process should be compliant with relevant RBI guidelines. Where cloud deployment model is used, it shall be ensured that the ownership of data in such model rests with EHFL only and all the data including video recording is transferred to EHFL'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 EHFL.

- ii) EHFL 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.

- iii) The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.

- iv) 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.

- v) 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 EHFL. Appropriate artificial intelligence (AI) technology can be used to ensure that the V-CIP is robust.

vi) Based on experience of detected / attempted / 'near-miss' cases of forged identity, the technology infrastructure including application software as well as work flows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber event under extant regulatory guidelines.

vii) 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 empanelled auditors of Indian Computer Emergency Response Team (CERT-In). Such tests should also be carried out periodically in conformance to internal / regulatory guidelines.

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

#### **(b) V-CIP Procedure**

i) EHFL shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of the EHFL specially 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.

ii) Disruption of any sort including pausing of video, reconnecting calls, etc., should not result in creation of multiple video files. If pause or disruption is not leading to the creation of multiple files, then there is no need to initiate a fresh session by EHFL. However, in case of call drop / disconnection, fresh session shall be initiated.

iii) The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.

iv) Any prompting, observed at end of customer shall lead to rejection of the account opening process.

v) 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 work flow.

vi) The authorised official of the EHFL performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:

- a. OTP based Aadhaar e-KYC authentication
- b. Offline Verification of Aadhaar for identification
- c. KYC records downloaded from CKYCR, in accordance with Section 56, using the KYC identifier provided by the customer
- d. Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through Digilocker



EHFL shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

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.

Further, in line with the prescribed period of three working days for usage of Aadhaar XML file / Aadhaar QR code, EHFL shall ensure that the video process of the V-CIP is undertaken within three 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 at one go or seamlessly. However, EHFL shall ensure that no incremental risk is added due to this.

vii) 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.

viii) EHFL 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.

ix) Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.

x) The authorised official of the EHFL shall ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.

xi) Assisted V-CIP shall be permissible when banks take help of Banking Correspondents (BCs) facilitating the process only at the customer end. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.

xii) 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.

xiii) 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 EHFL.

### **(c) V-CIP Records and Data Management**

i) The entire data and recordings of V-CIP shall be stored in a system/systems located in India. EHFL shall ensure that 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 instructions on record management, as stipulated in this MD, shall also be applicable for V-CIP.

ii) The activity log along with the credentials of the official performing the V-CIP shall be preserved.

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

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

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

Further, small accounts are subject to the following conditions:

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

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

- (c) Such accounts are opened only at Core Banking Solution (CBS) linked branches or in a branch where it is possible to manually monitor and ensure that foreign remittances are not credited to the account.
- (d) Banks shall ensure that the stipulated monthly and annual limits on aggregate of transactions and balance requirements in such accounts are not breached, before a transaction is allowed to take place.
- (e) The account shall remain operational initially for a period of twelve months which can be extended for a further period of twelve months, provided the account holder applies and furnishes evidence of having applied for any of the OVDs during the first twelve months of the opening of the said account.
- (f) The entire relaxation provisions shall be reviewed after twenty-four months.
- (g) Notwithstanding anything contained in clauses (e) and (f) above, the small account shall remain operational between April 1, 2020 and June 30, 2020 and such other periods as may be notified by the Central Government.
- (h) The account shall be monitored and when there is suspicion of money laundering or financing of terrorism activities or other high-risk scenarios, the identity of the customer shall be established as per Section 16.

- (i) Foreign remittance shall not be allowed to be credited into the account unless the identity of the customer is fully established as per Section 16.

#### **4. Simplified procedure for opening accounts by Non-Banking Finance**

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

- a. The NBFC shall obtain a self-attested photograph from the customer.
- b. The designated officer of the NBFC certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence.
- c. The account shall remain operational initially for a period of twelve months, within which CDD as per Section 16 shall be carried out.
- d. Balances in all their accounts taken together shall not exceed rupees fifty thousand at any point of time.
- e. The total credit in all the accounts taken together shall not exceed rupees one lakh in a year.
- f. The customer shall be made aware that no further transactions will be permitted until the full KYC procedure is completed in case Directions (d) and (e) above are breached by him.
- g. The customer shall be notified when the balance reaches rupees forty thousand or the total credit in a year reaches rupees eighty thousand that appropriate documents for conducting the KYC must be submitted otherwise the operations in the account shall be stopped when the total balance in all the accounts taken together exceeds the limits prescribed in direction (d) and (e) above.
- h. The account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established as per Section 16 or Section 18.

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

#### **CDD PROCEDURE IN CASE OF CUSTOMER'S -**

##### **Part I - Accounts of Individuals:**

In order to confirm the correctness of the address given by the account holder in the account opening form any one of the following documents of the account holder may be obtained for verifying the address there from;

- Driving License
- Passport
- PAN card
- Telephone / Electricity Bills
- Rent receipt
- Municipal / Assessment Order
- Income Tax Assessment Order
- Voter's identity Card
- Identity Card containing the address issued by the employer (subject to satisfaction of the Company)

A Photostat copy of the above proof should be filed along with the account opening forms / loan application. In case of need, Company Manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

The Board approved policy on KYC & AML Measures of EHFL should also provide appropriate relaxation for continued operation of accounts of customers who are unable to provide Permanent Account Number or Form No.60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. 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.

#### **Part- II Accounts of Sole Proprietary Firms -**

1. For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.
2. In addition to the above, 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:
  - (a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government
  - (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 or 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, landline telephone bills, etc.

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

Provided EHFL 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.

### **PART III – Account of Legal Entities:**

1. 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 Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.
  - (f) the names of the relevant persons holding senior management position; and
  - (g) the registered office and the principal place of its business, if it is different.
  
2. 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
  - b. Partnership deed
  - c. Permanent Account Number of the partnership firm

- d. Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
  - e. the names of all the partners and
  - f. address of the registered office, and the principal place of its business, if it is different.
3. 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 Section 16, 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, protector, if any and authors of the trust
  - f. the address of the registered office of the trust; and
  - g. list of trustees and documents, as specified in Section 16, for those discharging the role as trustee and authorised to transact on behalf of the trust.
4. 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 Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
  - (e) Such information as may be required by EHFL 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.

5. For opening accounts of a customer who is a juridical persons (not specifically covered in the earlier part), such as societies, universities and local bodies like village panchayats, etc., or who purports to act on behalf of such juridical person or individual or trust, certified copies of the following documents or the equivalent e-documents thereof shall be obtained and verified:

- (a) Document showing name of the person authorised to act on behalf of the entity;
- (b) Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf and
- (c) Such documents as may be required by EHFL to establish the legal existence of such an entity/juridical person.

Provided that in case of a trust, the EHFL shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in clauses (b), (e) and (f) of Section 13 of Master Direction.

#### **CDD Measures for Identification of Beneficial Owner:**

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

- Where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.
- 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.

#### **ON-GOING DUE DILIGENCE**

1. EHFL 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; the source of funds/wealth.
2. Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- (a) Large and complex transactions including RTGS transactions, and those 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) High account turnover inconsistent with the size of the balance maintained.
- (d) Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

For ongoing due diligence, EHFL may consider adopting appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective monitoring.

- 3. 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) 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.
- (b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

Explanation: Cases where a large number of cheque books are sought by the company and/or multiple small deposits (generally in cash) across the country in one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.

#### **4. Periodic Updation**

EHFL shall adopt a risk-based approach for periodic updation of KYC ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. However, 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 from the date of opening of the account / last KYC updation. Policy in this regard shall be documented as part of EHFL's internal KYC policy duly approved by the Board of Directors or any committee of the Board to which power has been delegated.

##### **a) Individual Customers:**



- i. **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 registered with the Company, customer's mobile number registered with the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter etc.
- ii. **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 registered with the EHFL, customer's mobile number registered with the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), 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, EHFL, at its option, may obtain a copy of OVD, as defined in Section 3(a)(xiv), or deemed OVD or the equivalent e-documents thereof, as defined in Section 3(a)(x), for the purpose of proof of address, declared by the customer at the time of periodic updation. Such requirement, however, shall be clearly specified by EHFL in its internal KYC policy duly approved by the Board of Directors or any committee of the Board to which power has been delegated.

- iii. **Accounts of customers, who were minor at the time of opening account, on their becoming major:** In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with EHFL. Wherever required, EHFL may carry out fresh KYC of such customers i.e. customers for whom account was opened when they were minor, on their becoming a major.
- iv. Aadhaar OTP based e-KYC in non-face to face mode may be used for periodic updation. To clarify, conditions stipulated in Section 17 are 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. EHFL 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.

#### **b) Customers other than individuals:**

- i. **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 the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of EHFL), letter from an official authorized by the LE in this regard, board resolution etc. Further, EHFL 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.

- ii. **Change in KYC information:** In case of change in KYC information, EHFL shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

**c) Additional measures:** In addition to the above, EHFL shall ensure that,

- i. 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 EHFL are not as per the current CDD standards. Further, in case the validity of the CDD documents available with EHFL has expired at the time of periodic updation of KYC, EHFL shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
- ii. 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.
- iii. Acknowledgment is provided 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 REs and an intimation, mentioning the date of updation of KYC details, is provided to the customer.
- iv. In order to ensure customer convenience, EHFL may consider making available the facility of periodic updation of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors or any committee of the Board to which power has been delegated.
- v. EHFL shall adopt a risk-based approach with respect to periodic updation of KYC. Any additional and exceptional measures, which otherwise are not mandated under the above instructions, adopted by the EHFL such as requirement of obtaining recent photograph, requirement of physical presence of the customer, requirement of periodic updation of KYC only in the branch of the EHFL where account is maintained, a more frequent periodicity of KYC updation than the minimum specified periodicity etc., shall be clearly specified in the internal KYC policy duly approved by the Board of Directors of EHFL or any committee of the Board to which power has been delegated.

d) EHFL shall advise the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account-based relationship and thereafter, as necessary; customers shall submit to the EHFL the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at EHFLs' end.

- 5. In case of existing customers, EHFL shall obtain the Permanent Account Number or equivalent e-document thereof or Form No.60, by such date as may be notified by the Central Government, failing which EHFL shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-

documents thereof or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, the EHFL shall give the customer an accessible notice and a reasonable opportunity to be heard. Further, EHFL shall include, in its internal policy, appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or equivalent e-document thereof or Form No. 60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

Provided further that if a customer having an existing account-based relationship with EHFL gives in writing to the EHFL that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, EHFL shall close the account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

Explanation – For the purpose of this Section, “temporary ceasing of operations” in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by EHFL till such time the customer complies with the provisions of this Section. In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

## **ENHANCED AND SIMPLIFIED DUE DILIGENCE PROCEDURE**

### **A. ENHANCED DUE DILIGENCE**

Enhanced Due Diligence (EDD) for non-face-to-face customer onboarding (other than customer onboarding in terms of Section 17): Non-face-to-face onboarding facilitates EHFL to establish relationship with the customer without meeting the customer physically or through V-CIP. Such non-face-to-face modes for the purpose of this Section includes use of digital channels such as CKYCR, DigiLocker, equivalent e-document, etc., and non-digital modes such as obtaining copy of OVD certified by additional certifying authorities as allowed for NRIs and PIOs. Following EDD measures shall be undertaken by EHFL for non-face-to-face customer onboarding (other than customer onboarding in terms of Section 17):

a) In case EHFL has introduced the process of V-CIP, the same shall be provided as the first option to the customer for remote onboarding. It is reiterated that processes complying with prescribed standards and procedures for V-CIP shall be treated on par with face-to-face CIP for the purpose of this Master Direction.

b) In order to prevent frauds, alternate mobile numbers shall not be linked post CDD with such accounts for transaction OTP, transaction updates, etc. Transactions shall be permitted only from the mobile number used for account opening. EHFL shall have a Board approved policy delineating a robust process of due diligence for dealing with requests for change of registered mobile number.

c) Apart from obtaining the current address proof, EHFL shall verify the current address through positive confirmation before allowing operations in the account. Positive confirmation may be carried out by means such as address verification letter, contact point verification, deliverables, etc.

d) EHFL shall obtain PAN from the customer and the PAN shall be verified from the verification facility of the issuing authority.

e) First transaction in such accounts shall be a credit from existing KYC-complied bank account of the customer.

f) Such customers shall be categorized as high-risk customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP.

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

EHFL shall have the option of establishing a relationship with PEPs (whether as customer or beneficial owner) provided that, apart from performing normal customer due diligence:

(a) EHFL has in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;

(b) Reasonable measures are taken by the EHFL for establishing the source of funds / wealth;

(a) the approval to open an account for a PEP shall be obtained from the senior management

(b) all such accounts are subjected to enhanced monitoring on an on-going basis;

(c) 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;

These instructions shall also be applicable to family members or close associates of PEPs.

“Explanation: For the purpose of this Section, “Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior

government or judicial or military officers, senior executives of state-owned corporations and important political party officials.”

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

EHFL shall ensure while opening client accounts through professional intermediaries, that:

- (a) Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- (b) EHFL shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- (c) EHFL shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to EHFL.
- (d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of EHFL, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of EHFL, it shall look for the beneficial owners.
- (e) EHFL shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
- (f) The ultimate responsibility for knowing the customer lies with the EHFL.

## **B. SIMPLIFIED DUE DILIGENCE**

### **Simplified norms for Self Help Groups (SHGs)**

- (a) CDD of all the members of SHG shall not be required while opening the savings bank account of the SHG.
- (b) CDD of all the office bearers shall suffice.
- (c) Customer Due Diligence (CDD) of all the members of SHG may be undertaken at the time of credit linking of SHGs.

### **Procedure to be followed by banks while opening accounts of foreign students**

- (a) Banks shall, at their option, open a Non Resident Ordinary (NRO) bank account of a foreign student on the basis of his/her passport (with visa & immigration endorsement) bearing the proof of identity and address in the home country

together with a photograph and a letter offering admission from the educational institution in India.

- i. Provided that a declaration about the local address shall be obtained within a period of 30 days of opening the account and the said local address is verified.
  - ii. Provided further that pending the verification of address, the account shall be operated with a condition of allowing foreign remittances not exceeding USD 1,000 or equivalent into the account and a cap of rupees fifty thousand on aggregate in the same, during the 30-day period.
- (b) The account shall be treated as a normal NRO account, and shall be operated in terms of Reserve Bank of India's instructions on Non-Resident Ordinary Rupee (NRO) Account, and the provisions of FEMA 1999.
- (c) Students with Pakistani nationality shall require prior approval of the Reserve Bank for opening the account.

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

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

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

### **MAINTENANCE OF RECORD OF TRANSACTION**

EHFL shall take the following steps regarding maintenance, preservation and reporting of customer information, with reference to provisions of PML Act and Rules:

- (a) maintain all necessary records of transactions between the EHFL 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 swiftly, the identification records and transaction data to the competent authorities upon request;

EHFL shall maintain proper record of transactions as required under section 12 of the PMLA read with Rule 3 of the PML Rules.as mentioned below:

1. all cash transactions of the value of more than Rupees Ten lacs or its equivalent in foreign currency;
2. all series of cash transactions integrally connected to each other which have been valued below Rupees Ten lacs or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees Ten lacs;
3. all transactions involving receipts by non-profit organizations of Rupees Ten lacs or its equivalent in foreign currency;
4. 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
5. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3(1) (D).

EHFL shall introduce a system of Maintenance of records, at each branch and a consolidated record for all the branches taken together at the registered office of the Company, of transactions (nature and value), in such form and for such period as specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. It shall maintain all necessary information in respect of transactions prescribed under Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, so as to permit reconstruction of individual transaction, including the following:

- (a) the nature of the transactions;
- (b) the amount of the transaction and the currency in which it was denominated;
- (c) the date on which the transaction was conducted; and
- (d) the parties to the transaction.

EHFL should take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows information to be retrieved easily and quickly whenever required or requested by the competent authorities.

EHFL shall 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.

Explanation. – For the purpose of this Section, the expressions "records pertaining to the identification", "identification records", etc., shall include updated records of the identification data, account files, business correspondence and results of any analysis undertaken.

EHFL shall ensure that in case of customers who are non-profit organisations, the details of such customers are registered on the DARPAN Portal of NITI Aayog. If the same are not registered, EHFL shall register the details on the DARPAN Portal. EHFL shall also maintain such registration records for a period of five years after the business relationship between the customer and EHFL has ended or the account has been closed, whichever is later.

## **MAINTENANCE AND PRESERVATION OF RECORDS**

EHFL has 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. EHFL will maintain for at least ten years from the date of cessation of transaction between the bank and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity. EHFL will also ensure that records pertaining to the identification of the customer and his / her address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data will be made available to the competent authorities upon request.

## **MONITORING OF TRANSACTION**

On-going monitoring is an essential element of effective KYC procedures. EHFL can effectively control and reduce its risk only if it has an understanding of the normal and reasonable activity of the customer so that it can identify transactions that fall outside the regular pattern. However, the extent of monitoring will depend on the risk sensitivity of the account. Since EHFL will not have any deposit accounts, this situation will hardly arise, but EHFL will in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose or transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer. EHFL will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. EHFL will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002 (and the Amended Act, 2009). It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002 (and the Amended Act, 2009), is reported to the appropriate law enforcement authority.

## **RISK MANAGEMENT**



EHFL shall ensure that adequate measures are taken to cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility should be explicitly allocated within the Company for ensuring that the housing finance companies' policies and procedures are implemented effectively. The Company must also devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

The Company shall categorize the customers according to the risk perceived to facilitate undertaking due diligence for the purpose of risk categorization.

The Company shall envisage having an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements shall have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently and effectively.

The Company shall take adequate measures to educate the customer on the objectives of the KYC programme, especially at the time of obtaining sensitive or personal information from the customers. Wherever the Company desires to collect any information about the customer for the purpose other than KYC requirement, it shall not form part of the account opening form. Such information to be collected separately, purely on a voluntary basis in a form prescribed by the Company after explaining the objective to the customer and taking the customer's express approval for the specific uses to which such information could be put. The front desk staff must be specially trained to handle such situations while dealing with customers. The Company shall also take care to see that implementation of the KYC guidelines in respect of customer acceptance, identification etc. do not result in denial of opening of new accounts and housing services to general public.

#### **APPOINTMENT OF PRINCIPAL OFFICER**

EHFL has appointed a the 'Principal Officer' i.e. Credit Head of EHFL, who will be responsible for reporting all transactions and sharing of information. He will also be responsible to ensure that proper steps are taken to fix accountability for serious lapses and intentional contraventions of the KYC guidelines.

#### **REPORTING TO FINANCIAL INTELLIGENCE UNIT OF INDIA**

EHFL as per the proviso of Section 12 of PMLA, wherever it notices a reason to believe that a single transaction or series of transactions are integrally connected to each other and have been valued below the prescribed value so as to defeat the provisions of this

section, shall furnish to the Director, FIU such information/ transaction after retaining a copy for records within the prescribed period at the following address:

Director, FIU – IND  
Financial Intelligence Unit – India,  
6th floor, Hotel Samrat, Chanakyapuri,  
New Delhi – 110021

The Company must strictly comply with all formalities including timely submission of all applicable report and returns in the prescribed format with regards to cash & suspicious transaction qualifying under PML Rules directly to FIU-IND through the designated Principal Officer(s) of the Company, there is no need for submission of NIL reports. Further, the Company and its employees shall maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions. Furnishing of information to the Director, Financial Intelligence Unit - India (FIU-IND):

- In terms of the provisions of the Rule 8 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. EHFL shall, *inter-alia*, furnish to the Director, FIU-IND, within such time and in such form, the information in respect of transactions as referred under sub-rule (1) of rule 3 of the said Rules.
- A copy of information furnished shall be retained by the 'Principal Officer' for the purposes of official record.

*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 reporting entities 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.*

(iii) It has been advised by the FIU-IND that EHFL need not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period.

(iv) The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR)/ Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by EHFL which are yet to install/ adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of EHFL 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>.

(v) 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 said Rules shall be constituted as a separate violation.

(vi) EHFL shall not put any restriction on operations in the accounts where an STR has been filed. EHFL 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. EHFL shall not put any restriction on operations in the accounts merely on the basis of the STR filed.

EHFL, its directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in rule 3 of the PML (Maintenance of Records) Rules, 2005 and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under Section 4(b) of this Master Direction of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

(vii) Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers may be put in to use as a part of effective identification and reporting of suspicious transactions.

32. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

- (a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution.
- (b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61 Bor 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.

*Explanation - HFCs shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at*

*[http://www.fedai.org.in/ RevaluationRates.aspx](http://www.fedai.org.in/RevaluationRates.aspx) for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H of Income Tax Rules.*

- (c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H of Income Tax Rules.
- (d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
- (e) Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
- (f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Tax (CBDT) from time to time.
- (a) In addition to the above, other United Nations Security Council Resolutions (UNSCRs) circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of (Described in details later).

## **REQUIREMENTS/OBLIGATIONS UNDER INTERNATIONAL AGREEMENTS**

### **COMMUNICATIONS FROM INTERNATIONAL AGENCIES –**

#### **Obligations under the Unlawful Activities (Prevention) (UAPA) Act, 1967:**

EHFL shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

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

EHFL 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 aforementioned lists, i.e., UNSC Sanctions Lists and 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, shall be verified on daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account by the EHFL for meticulous compliance.

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 (MHA) as required under UAPA notification dated February 2, 2021 (Annex II of KYC Master Direction). 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.

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

The procedure laid down in the UAPA Order dated February 2, 2021 ([Annex II](#) of this Master Direction) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of MHA.

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

(a) EHFL shall ensure meticulous compliance with the “Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005” laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated September 01, 2023, by the Ministry of Finance, Government of India ([Annex III](#) of this Master Direction).

(b) In accordance with paragraph 3 of the aforementioned Order, EHFL 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, EHFL 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 individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc.

(d) In case of match in the above cases, EHFL shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO), designated as the authority to exercise powers under Section 12A of the WMD Act, 2005. A copy of the communication shall be sent to State Nodal Officer, where the account / transaction is held and to the RBI. EHFL shall file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted.

It may be noted that in terms of Paragraph 1 of the Order, Director, FIU-India has been designated as the CNO.

(e) EHFL may 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, EHFL shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.

(g) In case an order to freeze assets under Section 12A is received by the EHFL from the CNO, EHFL shall, without delay, take necessary action to comply with the Order.

(h) The process of unfreezing of funds, etc., shall be observed as per paragraph 7 of the Order. Accordingly, copy of application received from an individual/entity regarding unfreezing shall be forwarded by EHFL along with full details of the asset frozen, as given by the applicant, to the CNO by email, FAX and by post, within two working days.

EHFL shall verify every day, the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities', as available at <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>, 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.

In addition to the above, EHFL 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.

EHFL shall undertake countermeasures when called upon to do so by any international or intergovernmental organisation of which India is a member and accepted by the Central Government.

#### **42. 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. EHFL shall apply enhanced due diligence measures, which are effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.

(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 processes referred to in a & b above do not preclude REs from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.*

- (c) The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

REs are encouraged to leverage latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements.

## **OTHER INSTRUCTIONS**

### **SECRECY OBLIGATIONS AND SHARING OF INFORMATION:**

- (a) EHFL shall maintain secrecy regarding the customer information which arises out of the contractual relationship between EHFL and customer.
- (b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- (c) While considering the requests for data/information from Government and other agencies, EHFL 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 transactions.
- (d) The exceptions to the said rule shall be as under:
- i. Where disclosure is under compulsion of law
  - ii. Where there is a duty to the public to disclose,
  - iii. the interest of bank requires disclosure and
  - iv. Where the disclosure is made with the express or implied consent of the customer.

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

### **Compliance with the provisions of Foreign Contribution (Regulation) Act, 2010**

Banks shall ensure adherence to the provisions of Foreign Contribution (Regulation) Act, 2010 and Rules made thereunder. Further, banks shall also ensure meticulous compliance with any instructions / communications on the matter issued from time to time by the Reserve Bank based on advice received from the Ministry of Home Affairs, Government of India.

### **CDD PROCEDURE AND SHARING KYC INFORMATION WITH CENTRAL KYC RECORDS REGISTRY (CKYCR)**

(a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

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

(c) Operational Guidelines for uploading the KYC data have been released by CERSAI.

(d) EHFL shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.

(e) The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, Scheduled Commercial Banks (SCBs) are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with CKYCR. SCBs were initially allowed time up-to February 1, 2017, for uploading data in respect of accounts opened during January 2017.

Regulated Entities other than SCBs were required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.

(f) EHFL shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.

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

(h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, EHFL shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.

(i) EHFL shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

(j) Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to EHFL, with an explicit consent to download records from CKYCR, then EHFL shall retrieve the KYC records online 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 a change in the information of the customer as existing in the records of CKYCR;
- ii. the current address of the customer is required to be verified;



- iii. EHFL 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 client.
- iv. the validity period of documents downloaded from CKYCR has lapsed.

### **PERIOD FOR PRESENTING PAYMENT INSTRUMENTS**

Payment of cheques/drafts/pay orders/banker's cheques, if they are presented beyond the period of three months from the date of such instruments, shall not be made.

### **OPERATION OF ACCOUNTS & MONEY MULES**

The instructions on opening of accounts and monitoring of transactions shall be strictly adhered to, in order to minimize 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." Bank shall undertake diligence measures and meticulous monitoring to identify accounts which are operated as Money Mules and take appropriate action, including reporting of suspicious transactions to FIU-IND. Further if it is established that an account opened and operated is that of a Money Mule, but no STR was filed by the concerned bank, it shall then be deemed that EHFL has not complied with these directions.

### **COLLECTION OF ACCOUNT PAYEE CHEQUES**

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

- (a) A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing individual customers by Regulated Entities.
- (b) The Regulated Entities shall, at their option, not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third party products provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC.

## **INTRODUCTION OF NEW TECHNOLOGIES –**

EHFL shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products.

Further, EHFL shall ensure:

- (a) to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- (b) adoption of a risk-based approach to manage and mitigate the risks through appropriate EDD measures and transaction monitoring, etc.

## **CORRESPONDENT BANKS**

Banks shall have a policy approved by their Boards, or by a committee headed by the Chairman/CEO/MD to lay down parameters for approving cross border correspondent banking and other similar relationships. In addition to performing normal CDD measures, such relationships shall be subject to the following conditions:

- (a) Banks shall gather sufficient information about a respondent bank to understand fully the nature of the respondent bank's business and to determine from publicly available information the reputation of the respondent bank and the quality of supervision, including whether it has been subjected to a ML/TF investigation or regulatory action. Banks shall assess the respondent bank's AML/CFT controls.
- (b) The information gathered in relation to the nature of business of the respondent bank shall include information on management, major business activities, purpose of opening the account, identity of any third-party entities that will use the correspondent banking services, regulatory/supervisory framework in the respondent bank's home country among other relevant information.
- (c) Prior approval from senior management shall be obtained for establishing new correspondent banking relationships. However, Post facto approval of the Board or the Committee empowered for this purpose shall also be taken.
- (d) Banks shall clearly document and understand the respective AML/CFT responsibilities of institutions involved.
- (e) In the case of payable-through-accounts, the correspondent bank shall be satisfied that the respondent bank has verified the identity of the customers having direct access to the accounts of the correspondent bank and is undertaking on-going 'due diligence' on them.

- (f) The correspondent bank shall ensure that the respondent bank is able to provide the relevant CDD information immediately on request.
- (g) Correspondent relationship shall not be entered into or continued with a shellbank.
- (h) It shall be ensured that the respondent banks do not permit their accounts to be used by shell banks.
- (i) Banks shall be cautious of correspondent banking relationships with institutions located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of FATF Recommendations.
- (j) Banks shall ensure that respondent banks have KYC/AML policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.

## **WIRE TRANSFER**

A. Information requirements for wire transfers for the purpose of this Master Direction:

i. All cross-border wire transfers shall be accompanied by accurate, complete, and meaningful originator and beneficiary information as mentioned below:

- a. name of the originator;
- b. the originator account number where such an account is used to process the transaction;
- c. the originator's address, or national identity number, or customer identification number, or date and place of birth;
- d. name of the beneficiary; and
- e. the beneficiary account number where such an account is used to process the transaction.

In the absence of an account, a unique transaction reference number should be included which permits traceability of the transaction.

ii. In case of batch transfer, where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, they (i.e., individual transfers) are exempted from the requirements of clause (i) above in respect of originator information, provided that they include the originator's account number or unique transaction reference number, as mentioned above, and the batch file contains required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country.

iii. Domestic wire transfer, where the originator is an account holder of the ordering RE, shall be accompanied by originator and beneficiary information, as indicated for cross-border wire transfers in (i) and (ii) above.

iv. Domestic wire transfers of rupees fifty thousand and above, where the

originator is not an account holder of the ordering RE, shall also be accompanied by originator and beneficiary information as indicated for cross-border wire transfers.

In case of domestic wire transfers below rupees fifty thousand where the originator is not an account holder of the ordering RE and where the information accompanying the wire transfer can be made available to the beneficiary RE and appropriate authorities by other means, it is sufficient for the ordering RE to include a unique transaction reference number, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary.

The ordering RE shall make the information available within three working/business days of receiving the request from the intermediary RE, beneficiary RE, or from appropriate competent authorities.

v. EHFL shall ensure that all the information on the wire transfers shall be immediately made available to appropriate law enforcement authorities, prosecuting / competent authorities as well as FIU-IND on receiving such requests with appropriate legal provisions.

vi. The wire transfer instructions are not intended to cover the following types of payments:

Any transfer that flows from a transaction carried out using a credit card / debit card / Prepaid Payment Instrument (PPI), including through a token or any other similar reference string associated with the card / PPI, for the purchase of goods or services, so long as the credit or debit card number or PPI id or reference number accompanies all transfers flowing from the transaction. However, when a credit or debit card or PPI is used as a payment system to effect a person-to-person wire transfer, the wire transfer instructions shall apply to such transactions and the necessary information should be included in the message.

Financial institution-to-financial institution transfers and settlements, where both the originator person and the beneficiary person are regulated financial institutions acting on their own behalf.

It is, however, clarified that nothing within these instructions will impact the obligation of EHFL to comply with applicable reporting requirements under PML Act, 2002, and the Rules made thereunder, or any other statutory requirement in force.

B. Responsibilities of ordering RE, intermediary RE and beneficiary RE, effecting wire transfer, are as under:

i. Ordering RE:

The ordering RE shall ensure that all cross-border and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph 'A' above}, contain required and accurate originator information and required beneficiary information, as indicated above.

Customer Identification shall be made if a customer, who is not an account holder of the ordering RE, is intentionally structuring domestic wire transfers below rupees fifty thousand to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish identity and if the same transaction is found to be suspicious, STR may be filed with FIU--IND in accordance with the PML Rules.

Ordering RE shall not execute the wire transfer if it is not able to comply with the requirements stipulated in this section.

ii. Intermediary RE:

RE processing an intermediary element of a chain of wire transfers shall ensure that all originator and beneficiary information accompanying a wire transfer is retained with the transfer.

Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, the intermediary RE shall keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary RE.

Intermediary RE shall take reasonable measures to identify cross-border wire transfers that lack required originator information or required beneficiary information. Such measures should be consistent with straight-through processing.

Intermediary RE shall have effective risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.

iii. Beneficiary RE:

Beneficiary RE shall take reasonable measures, including post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph 'A' above}, that lack required originator information or required beneficiary information.

Beneficiary RE shall have effective risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.

iv. Money Transfer Service Scheme (MTSS) and other REs, providers are required to comply with all of the relevant requirements of this Section, whether they are providing services directly or through their agents. REs that controls both the ordering and the beneficiary side of a wire transfer, shall:

shall take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed; and

shall file an STR with FIU, in accordance with the PML Rules, if a transaction is found to be suspicious.

### C. Other Obligations

#### i. Obligations in respect of REs' engagement or involvement with unregulated entities in the process of wire transfer

REs shall be cognizant of their obligations under these instructions and ensure strict compliance, in respect of engagement or involvement of any unregulated entities in the process of wire transfer. More specifically, whenever there is involvement of any unregulated entities in the process of wire transfers, the concerned REs shall be fully responsible for information, reporting and other requirements and therefore shall ensure, inter alia, that,

there is unhindered flow of complete wire transfer information, as mandated under these directions, from and through the unregulated entities involved;

the agreement / arrangement, if any, with such unregulated entities by REs clearly stipulates the obligations under wire transfer instructions; and

a termination clause is available in their agreement / arrangement, if any, with such entities so that in case the unregulated entities are unable to support the wire information requirements, the agreement / arrangement can be terminated. Existing agreements / arrangements, if any, with such entities shall be reviewed within three months to ensure aforementioned requirements.

#### ii. REs' responsibility while undertaking cross-border wire transfer with respect to name screening (such that they do not process cross-border transactions of designated persons and entities)

REs are prohibited from conducting transactions with designated persons and entities and accordingly, in addition to compliance with Chapter IX of the Master Direction, REs shall ensure that they do not process cross-border transactions of designated persons and entities.

#### iii. REs' responsibility to fulfil record management requirements

Complete originator and beneficiary information relating to wire transfers shall be preserved by the REs involved in the wire transfer, in accordance with Section 46 of the Master Direction.

## **ISSUE AND PAYMENT OF DEMAND DRAFTS, ETC.,**

Any remittance of funds by way of demand draft, mail/telegraphic transfer/NEFT/IMPS or any other mode and issue of travelers' cheques for value of rupees fifty thousand and above shall be affected by debit to the customer's account or against cheques and not against cash payment.

Further, the name of the purchaser shall be incorporated on the face of the demand draft, pay order, banker's cheque, etc., by the issuing bank. These instructions shall take effect for such instruments issued on or after September 15, 2018.

### **QUOTING OF PAN**

Permanent account number (PAN) or equivalent e-document thereof of customers shall be obtained and verified while undertaking transactions 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.

### **SELLING THIRD PARTY PRODUCTS**

Financial Institutions if acting as agents while selling third party products as per regulations in force from time to time shall comply with the following aspects for the purpose of these directions:

- the identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under Section 13(e) of this Directions.
- transaction details of sale of third-party products and related records shall be maintained as prescribed in Chapter VII Section 46 of chapter VII.
- AML software capable of capturing, generating and analysing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available.
- transactions involving rupees fifty thousand and above shall be undertaken only by:
  - debit to customers' account or against cheques; and
  - obtaining and verifying the PAN given by the account-based as well as walk-in customers.
- Instruction at 'd' above shall also apply to sale of REs' own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for rupees fifty thousand and above.

### **HIRING OF EMPLOYEES AND EMPLOYEE TRAINING**

- Adequate screening mechanism including Know Your Employee / Staff policy, as an integral part of their personnel recruitment/hiring process shall be put in place.
- EHFL shall endeavour to ensure that the staff dealing with / being deployed for KYC/AML/CFT matters have: high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards,

effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. EHFL shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.

- On-going employee training programme shall be put in place so that the members of staff are adequately trained in KYC/AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new custo/mers. 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 KYC/AML/CFT policies of EHFL, regulation and related issues shall be ensured.

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

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

## **GENERAL**

In a situation where in the KYC measures cannot be applied satisfactorily due to non-furnishing of information and/or non-cooperation by the customer, the Company shall review and consult the status with its Senior Management i.e. MD, CEO and Credit head including the Principal Officer and may even consider closing of the account or termination of business relationship after issuing due notice to the customer explaining the reasons for the step.

The Company assures to comply comprehensively and fully comply with the Code in its letter and spirit.



**ANNEX I**  
**DIGITAL KYC PROCESS**

EHFL 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 of EHFL.

- The access of the Application shall be controlled by EHFL and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by EHFL to its authorized officials. The customer, for the purpose of KYC, shall visit the location of the authorized official of EHFL or vice-versa. The original OVD shall be in possession of the customer.
- EHFL must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of EHFL shall put a water- mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by EHFL) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- The Application of EHFL 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.
- 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.
- The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.

- Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e- Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.
- Once the above-mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officers registered with the EHFL shall not be used for customer signature. EHFL must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.
- 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 EHFL. 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.
- 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 EHFL, 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.
- The authorized officer of EHFL shall check and verify that: - (i) information available in the picture of document is matching with the information entered by authorized officer in CAF. (ii) live photograph of the customer matches with the photo available in the document.; and (iii) all of the necessary details in CAF including mandatory field are filled properly.

- On Successful verification, the CAF shall be digitally signed by authorized officer of EHFL 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.

## Annex II

### ORDER

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

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

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

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

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

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

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

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

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

- (i) The UAPA Nodal Officer for CTCR Division would be the Additional Secretary (CTCR), Ministry of Home Affairs. His contact details are 011-23092456 (Tel), 011-230923465 (Fax) and [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in) (e-mail id).
- (ii) The Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, FIU-IND; and RBI, SEBI, IRDA (hereinafter referred to as Regulators) shall appoint a UAPA Nodal Officer and communicate the name and contact details to the CTCR Division in MHA.
- (iii) The States and UTs should appoint a UAPA Nodal Officer preferably of the rank of the Principal Secretary/Secretary, Home Department and communicate the name and contact details to the CTCR Division in MHA.
- (iv) The CTCR Division in MHA would maintain the consolidated list of all UAPA Nodal Officers and forward the list to all other UAPA Nodal Officers.
- (v) The RBI, SEBI, IRDA should forward the consolidated list of UAPA Nodal Officers. to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively.
- (vi) The consolidated list of the UAPA Nodal Officers should be circulated by the Nodal Officer of CTCR Division of MHA in July every year and on every change. Additional Secretary (CTCR) being the Nodal Officer of CTCR Division of MHA, shall cause the amended list of UAPA Nodal Officers to be circulated to the Nodal Officers of Ministry of External Affairs, Department of Economic Affairs, Foreigners Division of MHA, RBI, SEBI, IRDA and FIU-IND.

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

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

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

immigration authorities and security agencies.

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

4. As regards funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., the Regulators would forward the designated lists to the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies respectively. The RBI, SEBI and IRDA would issue necessary guidelines to banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies requiring them to-
- (i) Maintain updated designated lists in electronic form and run a check on the given parameters on a regular basis to verify whether individuals or entities listed in the schedule to the Order, herein after, referred to as designated individuals/entities are holding any funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., with them.
  - (ii) In case, the particulars of any of their customers match with the particulars of designated individuals/entities, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall immediately, not later than 24 hours from the time of finding out such customer, inform full particulars of the funds, financial assets or economic resources or related services held in the form of bank accounts, stocks or Insurance policies etc., held by such customer on their books to the Joint. Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone or 011- 23092736. The particulars apart from being sent by post, should necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).
  - (iii) The banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies shall also send a copy of the communication mentioned in (ii) above to the UAPA Nodal Officer of the State/UT where the account is held and Regulators and FIU-IND, as the case maybe.
  - (iv) In case, the match of any of the customers with the particulars of designated individuals/entities is beyond doubt, the banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies would prevent designated persons from conducting financial transactions, under intimation to the Additional Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post should necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).
  - (v) The banks, stock exchanges /depositories, intermediaries regulated by SEBI and

insurance companies, shall file a Suspicious Transaction Report (STR) with FIU-IND covering all transactions in the accounts covered by paragraph (ii) above, carried through or attempted as per the prescribed format.

5. On receipt of the particulars referred to in paragraph 4(ii) above, CTCR Division of MHA would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals / entities identified by the banks, stock exchanges/depositories, intermediaries regulated by SEBI and Insurance Companies are the ones listed as designated individuals/entities and the funds, financial assets or economic resources or related services, reported by banks, stock exchanges/depositories, intermediaries regulated by SEBI and insurance companies are held by the designated individuals/entities This verification would be completed within a period not exceeding 5 working days from the date of receipt of such particulars.
6. In case, the results of the verification indicate that the properties are owned by or are held for the benefit of the designated individuals/entities, an order to freeze these assets under Section 51A of the UAPA would be issued by the UAPA Nodal Officer of CTCR Division of MHA and conveyed electronically/to the concerned bank branch, depository, branch of insurance company branch under intimation to respective Regulators and FIU-IND. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy thereof to ail the Principal Secretary/Secretary, Home Department of the States or UTs, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals/ entities or any other person engaged in or suspected to be engaged in terrorism. The UAPA Nodal Officer of CTCR Division of MHA shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating action under the provisions of the Unlawful Activities (Prevention) Act, 1967.

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

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

7. CTCR Division of MHA would electronically forward the designated lists to the UAPA Nodal Officer of all States and UTs with the request to have the names of the designated individuals/entities, on the given parameters, verified from the records of the office of the Registrar performing the work of registration of immovable Properties in their respective jurisdiction.
8. In case, the designated individuals/entities are holding financial assets or economic resources of the nature of immovable property and if any match with the designated individuals/entities is found. the UAPA Nodal Officer of the State/UT would cause

communication of the complete particulars of such individual/entity along with complete details of the financial assets or economic resources of the nature of immovable property to Additional Secretary (CTCR), Ministry of Home Affairs, immediately within 24 hours at Fax No.011- 23092569 and also convey over telephone on 011-23092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in).

9. The UAPA Nodal Officer of the State/UT may cause such inquiry to be conducted by the State Police so as to ensure that the particulars sent by the Registrar performing the work of registering immovable properties are indeed of these designated individuals/entities. This verification would be completed within a maximum of 5 working days and should be conveyed within 24 hours of the verification, if it matches with the particulars of the designated individual/entity to Additional Secretary (CTCR), Ministry of Home Affairs at the Fax, telephone numbers and also on the e-mail id given below.
10. A copy of this reference should be sent to Additional Secretary (CTCR), Ministry of Home Affairs, at Fax No.011-23092569 and also conveyed over telephone on 01123092736. The particulars apart from being sent by post would necessarily be conveyed on e-mail id: [jsctcr-mha@gov.in](mailto:jsctcr-mha@gov.in). MHA may also have the verification conducted by the Central Agencies. This verification would be completed within a maximum of 5 working days.
11. In case, the results of the verification indicate that the particulars match with those of designated individuals/entities, an order under section 51A of the UAPA would be issued, by the UAPA Nodal Officer of CTCR Division of MHA and conveyed to the concerned Registrar performing the work of registering immovable properties and to FIU-IND under intimation to the concerned UAPA Nodal Officer of the State/UT. The order shall be issued without prior notice to the designated individual/entity.
12. Further, the UAPA Nodal Officer of the State/UT shall cause to monitor the transactions/ accounts of the designated individual/entity so as to prohibit any individual or entity from making any funds, financial assets or economic resources or related services available for the benefit of the individuals or entities Listed in the Schedule to the Order or any other person engaged in or suspected to be engaged in terrorism. The UAPA Nodal Officer of the State / UT shall upon coming to his notice, transactions and attempts by third party immediately bring to the notice of the DGP/Commissioner of Police of the State / UT for also initiating action under the provisions of Unlawful Activities (Prevention) Act 1967.



**Regarding the real-estate agents, dealers of precious metals/stones (DPMS) and other Designated Non-Financial Businesses and Professions (DNFBPs) and any other person:**

(i) The Designated Non-Financial Businesses and Professions (DNFBPs), inter alia, include casinos, real estate agents, dealers in precious metals/stones (DPMS), lawyers/notaries, accountants, company service providers and societies/ firms and non-profit organizations. The list of designated entities/individuals should be circulated to all DNFBPs by the concerned Regulators without delay.

(a) The DNFBPs are required to ensure that if any designated individual/entity approaches them for a transaction or relationship or attempts to undertake such transactions, the dealer should not carry out such transactions and, without delay, inform the UAPA Nodal officer of the State/UT with details of the funds/assets held and the details of the transaction, who in turn would follow the same procedure as in para 6.2 to 6.6 of the MD. Further, if the dealers hold any assets or funds of the designated individual/entity, either directly or indirectly, they shall freeze the same without delay and inform the UAPA Nodal officer of the State/UT.

(ii) The CBIC shall advise the dealers of precious metals/stones (DPMS) that if any designated individual/entity approaches them for sale/purchase of precious metals/stones or attempts to undertake such transactions the dealer should not carry out such transaction and without delay inform the CBIC, who in turn follow the similar procedure as laid down in the paragraphs 6.2 to 6.5 above.

(iii) The UAPA Nodal Officer of the State/UT shall advise the Registrar of Societies/ Firms/ non-profit organizations that if any designated individual/ entity is a shareholder/ member/ partner/ director/ settler/ trustee/ beneficiary/ beneficial owner of any society/ partnership firm/ trust/ non-profit organization, then the Registrar should inform the UAPA Nodal Officer of the State/UT without delay, who will, in turn, follow the procedure as laid down in the paragraphs 6.2 to 6.5 above. The Registrar should also be advised that no societies/ firms/ non-profit organizations should be allowed to be registered, if any of the designated individual/ entity is a director/ partner/ office bearer/ trustee/ settler/ beneficiary or beneficial owner of such juridical person and in case such request is received, then the Registrar shall inform the UAPA Nodal Officer of the concerned State/UT without delay, who will, in turn, follow the procedure laid down in the paragraphs 6.2 to 6.5 above.

(iv) The UAPA Nodal Officer of the State/UT shall also advise appropriate department of the State/UT, administering the operations relating to Casinos, to ensure that the designated individuals/ entities should not be allowed to own or have beneficial ownership in any Casino operation. Further, if any designated individual/ entity visits or participates in any game in the Casino and/ or if any assets of such designated individual/ entity is with the Casino operator, and of the particulars of any client matches with the particulars of designated individuals/ entities, the Casino owner shall inform the UAPA Nodal Officer of the State/UT without delay, who shall in turn follow the procedure laid down in paragraph 6.2 to 6.5 above.

(v) The Ministry of Corporate Affairs shall issue an appropriate order to the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India (ICSI) requesting them to sensitize their respective members to the provisions of Section 51A of UAPA, so that if any designated individual/entity approaches them, for entering/ investing in the financial sector and/or immovable property, or they are holding or managing any assets/ resources of Designated individual/ entities, then the member shall convey the complete details of such designated individual/ entity to UAPA Nodal Officer in the Ministry of Corporate Affairs who shall in turn follow the similar procedure as laid down in paragraph 6.2 to 6.5 above.

(vi) The members of these institutes should also be sensitized that if they have arranged for or have been approached for incorporation/ formation/ registration of any company, limited liability firm, partnership firm, society, trust, association where any of designated individual/ entity is a director/ shareholder/ member of a company/ society/ association or partner in a firm or settler/ trustee or beneficiary of a trust or a beneficial owner of a juridical person, then the member of the institute should not incorporate/ form/ register such juridical person and should convey the complete details of such designated individual/ entity to UAPA Nodal Officer in the Ministry of Corporate Affairs who shall in turn follow the similar procedure as laid down in paragraph 6.2 to 6.5 above.

(vii) In addition, the member of the ICSI be sensitized that if he/she is Company Secretary or is holding any managerial position where any of designated individual/ entity is a Director and/or Shareholder or having beneficial ownership of any such juridical person then the member should convey the complete details of such designated individual/ entity to UAPA Nodal Officer in the Ministry of Corporate Affairs who shall in turn follow the similar procedure as laid down in paragraph 6.2 to 6.5 above.

(viii) The Registrar of Companies (ROC) may be advised that in case any designated individual/ entity is a shareholder/ director/ whole time director in any company registered with ROC or beneficial owner of such company, then the ROC should convey the complete details of such designated individual/ entity, as per the procedure mentioned in paragraph 8 to 10 above. This procedure shall also be followed in case of any designated individual/ entity being a partner of Limited Liabilities Partnership Firms registered with ROC or beneficial owner of such firms. Further the ROC may be advised that no company or limited liability Partnership firm shall be allowed to be registered if any of the designated individual/ entity is the Director/ Promoter/ Partner or beneficial owner of such company or firm and in case such a request received the ROC should inform the UAPA Nodal Officer in the Ministry of Corporate Affairs who in turn shall follow the similar procedure as laid down in paragraph 6.2 to 6.5 above.

(ix) Any person, either directly or indirectly, holding any funds or other assets of designated individuals or entities, shall, without delay and without prior notice, cause to freeze any transaction in relation to such funds or assets, by immediately informing the nearest Police Station, which shall, in turn, inform the concerned UAPA Nodal Officer of the State/UT along with the details of the funds/assets held. The concerned UAPA Nodal Officer of the State/UT, would follow the same procedure as in para 6.2 to 6.6 of the MD.

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

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

Nodal Officer for CTCR Division for freezing of funds or other assets.

15. The UAPA Nodal Officer of CTCR Division of MHA, shall cause the request to be examined, within 5 working days, so as to satisfy itself that on the basis of applicable legal principles, the requested designation is supported by reasonable grounds, or a reasonable basis, to suspect or believe that the proposed designee is a terrorist, one who finances terrorism or a terrorist organization, and upon his satisfaction, request would be electronically forwarded to the Nodal Officers in Regulators, FIU-IND and to the Nodal Officers of the States/UTs. The proposed designee, as mentioned above would be treated as designated individuals/entities.
16. Upon receipt of the requests by these Nodal Officers from the UAPA nodal officer of CTCR Division, the procedure as enumerated at paragraphs 4 to 12 above shall be followed.

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

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

17. Any individual or entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held by them has been inadvertently frozen, they shall move an application giving the requisite evidence. in writing, to the concerned bank, stock exchanges/ depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/UT Nodal Officers.
18. The banks, stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties and the State/ UT Nodal Officers shall inform and forward a copy of the application together with full details of the asset frozen given by any individual or entity informing of the funds, financial assets or economic resources or related services have been frozen inadvertently, to the Nodal Officer of CTCR Division of MHA as per the contact details given in paragraph 4 (ii) above, within two working days.
19. The Additional Secretary (CTCR), MHA being the UAPA Nodal Officer for CTCR Division of MHA shall cause such verification, as may be required on the basis of the evidence furnished by the individual/entity, and, if satisfied, he shall Pass an order, within 15 working days, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to the concerned bank, stock exchanges/depositories, intermediaries

regulated by SEBI, insurance company and the Nodal Officers of States/UTs. However, if it is not possible for any reason to pass an Order unfreezing the assets within 15 working days, the UAPA Nodal Officer of CTCR Division shall inform the applicant.

**20. Regarding procedure for unfreezing of funds, financial assets or economic resources or related services of individuals/organisations in the event of delisting by the UNSCR 1267 (1999), 1988 (2011) and 1989 (2011) Committee**

Upon making an application in writing by the concerned individual/organisation, to the concerned bank, stock exchanges/depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties, RoC, Regulators of DNFBPs, Department of Posts and the UAPA Nodal Officers of all States/UTs., who in turn shall forward the application along with the full details of the assets frozen to the Central [Designated] Nodal Officer for UAPA within two working days. The Central [Designated] Nodal Officer for UAPA shall examine the request in consultation with the Law Enforcement Agencies and other Security Agencies and Intelligence Agencies and cause such verification as may be required and if satisfied, shall pass an order, without delay, unfreezing the funds, financial assets or economic resources or related services owned or held by the applicant under intimation to concerned bank, stock exchanges/ depositories, intermediaries regulated by SEBI, insurance companies, Registrar of Immovable Properties, RoC, Regulators of DNFBPs, Department of Posts and the UAPA Nodal Officers of all States/UTs.

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

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

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

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

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

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

24. The Nodal Officers of CTCR Division and Foreigners Division of MHA shall furnish the details of funds, financial assets or economic resources or related services of designated individuals/entities frozen by an order, and details of the individuals whose entry into India or transit through India was prevented, respectively, to the Ministry of External Affairs for onward communication to the United Nations.
25. All concerned are requested to ensure strict compliance of this order.

### Annex III

#### ORDER

**Subject: - Procedure for implementation of Section 12A of “The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005”.**

Section 12A of The Weapons of Mass Destruction and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 [hereinafter referred to as ‘the Act’] reads as under: -

"12A. (1) No person shall finance any activity which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(2) For prevention of financing by any person of any activity which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to—

a) freeze, seize or attach funds or other financial assets or economic resources—

owned or controlled, wholly or jointly, directly or indirectly, by such person; or

held by or on behalf of, or at the direction of, such person; or

derived or generated from the funds or other assets owned or controlled, directly or indirectly, by such person;

prohibit any person from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

(3) The Central Government may exercise its powers under this section through any authority who has been assigned the power under sub-section (1) of section 7.”

II In order to ensure expeditious and effective implementation of the provisions of Section 12A of the Act, the procedure is outlined below.

## **1. Appointment and communication details of Section 12A Nodal Officers:**

1.1 In exercise of the powers conferred under Section 7(1) of the Act, the Central Government assigns Director, FIU-India, Department of Revenue, Ministry of Finance, as the authority to exercise powers under Section 12A of the Act. The Director, FIU-India shall be hereby referred to as the Central Nodal Officer (CNO) for the purpose of this order. [Telephone Number: 011-23314458, 011-23314435, 011-23314459 (FAX), email address: [dir@fiuindia.gov.in](mailto:dir@fiuindia.gov.in)].

1.2 Regulator under this order shall have the same meaning as defined in Rule 2(fa) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. Reporting Entity (RE) shall have the same meaning as defined in Section 2 (1) (wa) of Prevention of Money-Laundering Act, 2002. DNFPBs is as defined in section 2(1) (sa) of Prevention of Money-Laundering Act, 2002.

1.3 The Regulators, Ministry of Corporate Affairs and Foreigners Division of MHA shall notify a Nodal Officer for implementation of provisions of Section 12A of the Act. The Regulator may notify the Nodal Officer appointed for implementation of provisions of Section 51A of UAPA, also, as the Nodal Officer for implementation of Section 12A of the Act. All the States and UTs shall notify a State Nodal officer for implementation of Section 12A of the Act. A State/UT may notify the State Nodal Officer appointed for implementation of provisions of Section 51A of UAPA, also, as the Nodal Officer for implementation of Section 12A of the Act.

1.4 The CNO shall maintain an updated list of all Nodal Officers, and share the updated list with all Nodal Officers periodically. The CNO shall forward the updated list of all Nodal Officers to all REs.

## **2. Communication of the lists of designated individuals/entities:**

2.1 The Ministry of External Affairs will electronically communicate, without delay, the changes made in the list of designated individuals and entities (hereinafter referred to as 'designated list') in line with section 12A (1) to the CNO and Nodal officers.

2.1.1 Further, the CNO shall maintain the Designated list on the portal of FIU-India. The list would be updated by the CNO, as and when it is updated, as per para 2.1 above, without delay. It shall make available for all Nodal officers, the State Nodal Officers, and to the Registrars performing the work of registration of immovable properties, either directly or through State Nodal Officers, without delay.



2.1.2 The Ministry of External Affairs may also share other information relating to prohibition / prevention of financing of prohibited activity under Section 12A (after its initial assessment of the relevant factors in the case) with the CNO and other organizations concerned, for initiating verification and suitable action.

2.1.3 The Regulators shall make available the updated designated list, without delay, to their REs. The REs will maintain the designated list and update it, without delay, whenever changes are made as per para 2.1 above.

2.2 The Nodal Officer for Section 12A in Foreigners Division of MHA shall forward the updated designated list to the immigration authorities and security agencies, without delay.

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

3.1 All Financial Institutions shall –

Verify if the particulars of the entities/individual, party to the financial transactions, match with the particulars of designated list and in case of match, REs shall not carry out such transaction and shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the CNO by email, FAX and by post, without delay.

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 individuals and entities in the designated list are holding any funds, financial assets or economic resources or related services, in the form of bank accounts, stocks, Insurance policies etc. In case, the particulars of any of their customers match with the particulars of designated list, REs shall immediately 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 on their books to the CNO by email, FAX and by post, without delay.

The REs shall also send a copy of the communication, mentioned in 3.1 (i) and (ii) above, to State Nodal Officer, where the account/transaction is held, and to their Regulator, as the case may be, without delay.

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, REs

shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post , without delay.

3.2 On receipt of the particulars, as referred to in Paragraph 3.1 above, the CNO 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 REs are the ones in designated list and the funds, financial assets or economic resources or related services, reported by REs are in respect of the designated individuals/entities. This verification would be completed expeditiously from the date of receipt of such particulars.

3.3 In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under Section 12A would be issued by the CNO without delay and be conveyed electronically to the concerned RE under intimation to respective Regulators. The CNO shall also forward a copy thereof to all the Principal Secretaries/Secretaries, Home Department of the States/UTs and All Nodal officers in the country, 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. The CNO shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating suitable action.

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

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

4.1 The Registrars performing work of registration of immovable properties shall --

Verify if the particulars of the entities/individual, party to the transactions, match with the particulars of the designated list, and, in case of match, shall not carry out such transaction and immediately inform the details with full particulars of the assets or economic resources involved to the State Nodal Officer, without delay.

Verify from the records in their respective jurisdiction, without delay, on given parameters, if the details match with the details of the individuals and entities in the designated list. 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 Registrar shall immediately inform the details with full particulars of the assets or economic resources involved to the State Nodal Officer, without delay.

In case there are reasons to believe beyond doubt that assets that are held by an individual/entity would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A, Registrar shall prevent such individual/entity from conducting transactions, under intimation to the State Nodal Officer by email, FAX and by post , without delay.

4.2 the State Nodal Officer would cause communication of the complete particulars of such individual/entity along with complete details of the financial assets or economic resources to the CNO without delay by email, FAX and by post.

4.3 The State Nodal Officer may cause such inquiry to be conducted by the State Police so as to ensure that the particulars sent are indeed of these designated individuals/entities. This verification shall be completed without delay and shall be conveyed, within 24 hours of the verification, if it matches, with the particulars of the designated individual/entity, to the CNO without delay by email, FAX and by post.

4.4 The CNO may also have the verification conducted by the Central Agencies. This verification would be completed expeditiously.

4.5 In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets under Section 12A would be issued by the CNO without delay and be conveyed electronically to the concerned Registrar performing the work of registering immovable properties, and to FIU under intimation to the concerned State Nodal Officer. The CNO shall also forward a copy thereof to all the Principal Secretaries/Secretaries, Home Department of the States/UTs and All Nodal officers in the country, 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. The CNO shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating suitable action.

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

**5. Regarding the real-estate agents, dealers of precious metals/stones (DPMS), Registrar of Societies/ Firms/ non-profit organizations, The Ministry of Corporate Affairs and Designated Non-Financial Businesses and Professions (DNFBPs) and any other person:**

(i) The dealers of precious metals/stones (DPMS) as notified under PML (Maintenance of Records) Rules, 2005 and Real Estate Agents, as notified under clause (vi) of Section 2(1) (sa) of Prevention of Money-Laundering Act, 2002, are required to ensure that if any

designated individual/entity approaches them for sale/purchase of precious metals/stones/Real Estate Assets or attempts to undertake such transactions, the dealer should not carry out such transaction and, without delay, inform the Section 12A Nodal officer in the Central Board of Indirect Taxes and Customs (CBIC). Also, If the dealers hold any assets or funds of the designated individual/entity, they shall freeze the same without delay and inform the Section 12A Nodal officer in the CBIC, who will, in turn, follow procedure similar to as laid down for State Nodal Officer in the paragraphs 4.2 to 4.6.

(ii) The UAPA Nodal Officer of the State/UT shall advise the Registrar of Societies/ Firms/ non-profit organizations are required to ensure that if any designated individual/ entity is a shareholder/ member/ partner/ director/ settler/ trustee/ beneficiary/ beneficial owner of any society/ partnership firm/ trust/ non-profit organization, then the Registrar shall freeze any transaction for such designated individual/ entity and shall inform the State Nodal Officer, without delay, and, if such society/ partnership firm/ trust/ non-profit organization holds funds or assets of designated individual/ entity, follow the procedure as laid down for State Nodal Officer in the paragraphs 4.2 to 4.6 above. The Registrar should also ensure that no societies/ firms/ non-profit organizations should be allowed to be registered if any of the designated individual/ entity is a director/ partner/ office bearer/ trustee/ settler/ beneficiary or beneficial owner of such juridical person and, in case, such request is received, then the Registrar shall inform the State Nodal Officer, without delay, who will, in turn, follow the procedure laid down in the paragraphs 6.2 to 6.5 above. .

(iii) The State Nodal Officer shall also advise appropriate department of the State/UT, administering the operations relating to Casinos, to ensure that the designated individuals/ entities should not be allowed to own or have beneficial ownership in any Casino operation. Further, if any designated individual/ entity visits or participates in any game in the Casino or if any assets of such designated individual/ entity are with the Casino operator, or if the particulars of any client match with the particulars of designated individuals/ entities, the Casino owner shall inform the State Nodal Officer, without delay, and shall freeze any such transaction.

(iv) The Ministry of Corporate Affairs shall issue an appropriate order to the Institute of Chartered Accountants of India, Institute of Cost and Works Accountants of India and Institute of Company Secretaries of India (ICSI), requesting them to sensitize their respective members to the provisions of Section 12A, so that, if any designated individual/entity approaches them, for entering/ investing in the financial sector and/or immovable property, or they are holding or managing any assets/ resources of designated individual/ entities, then the member shall convey the complete details of such designated individual/ entity to Section 12A Nodal Officer in the Ministry of

Corporate Affairs, who shall in turn follow the similar procedure as laid down for State Nodal Officer in paragraph 4.2 to 4.6 above.

(v) The members of these institutes should also be sensitized by the Institute of Chartered Accountants of India, Institute of Cost and Work Accountants of India and Institute of Company Secretaries of India (ICSI) that if they have arranged for or have been approached for incorporation/ formation/ registration of any company, limited liability firm, partnership firm, society, trust, association where any designated individual/ entity is a director/ shareholder/ member of a company/ society/ association or partner in a firm or settler/ trustee or beneficiary of a trust or a beneficial owner of a juridical person, then the member of the institute should not incorporate/ form/ register such juridical person and should convey the complete details of such designated individual/ entity to Section 12A Nodal Officer in the Ministry of Corporate Affairs.

(vi) In addition, a member of the ICSI shall, if he/she is Company Secretary or is holding any managerial position where any of designated individual/ entity is a Director and/or Shareholder or having beneficial ownership of any such juridical person, convey the complete details of such designated individual/ entity to Section 12A Nodal Officer in the Ministry of Corporate Affairs, who shall follow the similar procedure as laid down in paragraph 4.2 to 4.6 above for State Nodal Officer, if such company, limited liability firm, partnership firm, society, trust, or association holds funds or assets of the designated individual/entity.

(vii) In case any designated individual/ entity is a shareholder/ director/ whole time director in any company registered with the Registrar of Companies (ROC) or beneficial owner of such company or partner in a Limited Liabilities Partnership Firm registered with ROC or beneficial owner of such firm, the ROC should convey the complete details of such designated individual/ entity to section 12A Nodal officer of Ministry of Corporate Affairs. If such company or LLP holds funds or assets of the designated individual/ entity, he shall follow the similar procedure as laid down in paragraph 4.2 to 4.6 above for State Nodal Officer. Further the ROCs are required to ensure that no company or limited liability Partnership firm shall be allowed to be registered if any of the designated individual/ entity is the Director/ Promoter/ Partner or beneficial owner of such company or firm, and in case such a request is received, the ROC should inform the Section 12A Nodal Officer in the Ministry of Corporate Affairs.

(viii) All communications to Nodal officer as enunciated in subclauses (i) to (vii) above should, inter alia, include the details of funds and assets held and the details of transaction.

(ix) The Other DNFBPs are required to ensure that if any designated individual/entity approaches them for a transaction or relationship or attempts to undertake such transactions, the dealer should not carry out such transaction and, without delay, inform the Section 12A Central Nodal officer. The communication to the Central Nodal Officer would include the details of funds and assets held and the details of the transaction. Also, If the dealers hold any assets or funds of the designated individual/entity, they shall freeze the same without delay and inform the Section 12A Central Nodal officer.

(DNFBPs shall have the same meaning as the definition in Section 2(1) (sa) of Prevention of Money-Laundering Act, 2002.)

5.1. All Natural and legal persons holding any funds or other assets of designated persons and entities, shall, without delay and without prior notice, freeze any transaction in relation to such funds or assets and shall immediately inform the State Nodal officer along with details of the funds/assets held, who in turn would follow the same procedure as in para 4.2 to 4.6 above for State Nodal Officer. This obligation should extend to all funds or other assets that are owned or controlled by the designated person or entity, and not just those that can be tied to a particular act, plot or threat of proliferation; those funds or other assets that are wholly or jointly owned or controlled, directly or indirectly, by designated persons or entities; and the funds or other assets derived or generated from funds or other assets owned or controlled directly or indirectly by designated persons or entities, as well as funds or other assets of persons and entities acting on behalf of, or at the direction of designated persons or entities.

5.2 No person shall finance any activity related to the 'designated list' referred to in Para 2.1, except in cases where exemption has been granted as per Para 6 of this Order.

5.3. Further, the State Nodal Officer 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 in the designated list. The State Nodal Officer shall, upon becoming aware of any transactions and attempts by third party, without delay, bring the incidence to the notice of the CNO and the DGP/Commissioner of Police of the State/UT for initiating suitable action.

5.4 Where the CNO has reasons to believe that any funds or assets are violative of Section 12A (1) or Section 12A (2)(b) of the Act, he shall, by order, freeze such funds or Assets, without any delay, and make such order available to authorities, Financial Institutions, DNFBPs and other entities concerned.

5.5 The CNO shall also have the power to issue advisories and guidance to all persons, including FIs and DNFBPs obligated to carry out sanctions screening. The concerned Regulators shall take suitable action under their relevant laws, rules or regulations for each violation of sanction screening obligations under section 12A of the WMD Act.

## **6. Regarding exemption, to be granted to the above orders**

6.1. The above provisions shall not apply to funds and other financial assets or economic resources that have been determined by the CNO to be: -

(a) necessary for basic expenses, including payments for foodstuff, rent or mortgage, medicines and medical treatment, taxes, insurance premiums and public utility charges, or exclusively for payment of reasonable professional fees and reimbursement of incurred expenses associated with the provision of legal services or fees or service charges for routine holding or maintenance of frozen funds or other financial assets or economic resources, consequent to notification by the MEA authorizing access to such funds, assets or resources.

This shall be consequent to notification by the MEA to the UNSC or its Committee, of the intention to authorize access to such funds, assets or resources, and in the absence of a negative decision by the UNSC or its Committee within 5 working days of such notification.

(b) necessary for extraordinary expenses, provided that such determination has been notified by the MEA to the UNSC or its Committee, and has been approved by the UNSC or its Committee;

6.2. The accounts of the designated individuals/ entities may be allowed to be credited with:

(a) interest or other earnings due on those accounts, or

(b) payments due under contracts, agreements or obligations that arose prior to the date on which those accounts became subject to the provisions of section 12A of the Act.

Provided that any such interest, other earnings and payments continue to be subject to those provisions under para 3.3;

6.3 Any freezing action taken related to the designated list under this Order should not prevent a designated individual or entity from making any payment due under a contract entered into prior to the listing of such individual or entity, provided that:

(i) the CNO has determined that the contract is not related to any of the prohibited goods, services, technologies, or activities, under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems;

(ii) the CNO has determined that the payment is not directly or indirectly received by an individual or entity in the designated list under this Order; and

(iii) the MEA has submitted prior notification to the UNSC or its Committee, of the intention to make or receive such payments or to authorise, where appropriate, he unfreezing of funds, other financial assets or economic resources for this purpose, ten working days prior to such authorization

**7. Regarding 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 individual or entity is not a designated person or no longer meet the criteria for designation:**

7.1 Any individual/entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held has been inadvertently frozen, an application may be moved giving the requisite evidence, in writing, to the relevant RE/Registrar of Immovable Properties/ ROC/Regulators and the State.

7.2 The RE/Registrar of Immovable Properties/ROC/Regulator and the State Nodal Officer shall inform, and forward a copy of the application, together with full details of the asset frozen, as given by applicant to the CNO by email, FAX and by Post, within two working days. Also, listed persons and entities may petition a request for delisting at the Focal Point Mechanism established under UNSC Resolution.

7.3 The CNO shall cause such verification, as may be required on the basis of the evidence furnished by the individual/entity, and, if satisfied, it shall pass an order, without delay, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to all RE/Registrar of Immovable Properties/ROC/Regulators and the State Nodal Officer. However, if it is not possible, for



any reason, to pass an Order unfreezing the assets within 5 working days, the CNO shall inform the applicant expeditiously.

7.4 The CNO shall, based on de-listing of individual and entity under UN Security Council Resolutions, shall pass an order, if not required to be designated in any other order, without delay, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to all RE/Registrar of Immovable Properties/ROC/Regulators and the State Nodal Officer.

**8. Procedure for communication of compliance of action taken under Section 12A:** The CNO and the Nodal Officer in the Foreigners Division, MHA shall furnish the details of funds, financial assets or economic resources or related services of designated individuals/entities, frozen by an order, and details of the individuals whose entry into India or transit through India was prevented, respectively, to the Ministry of External Affairs, for onward communication to the United Nations.

**9. Communication of the Order issued under Section 12A:** The Order issued under Section 12A of the Act by the CNO relating to funds, financial assets or economic resources or related services, shall be communicated to all nodal officers in the country.

10. This order is issued in suppression of F.No.P-12011/14/2022-ES Cell-DOR, dated 30th January 2023.

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

**ANNEX IV  
KYC DOCUMENTS FOR ELIGIBLE FPIS UNDER PIS**

Document Type		FPI Type		
		Category I	Category II	Category III
Entity Level	Constitutive Documents (Memorandum and Articles of Association, Certificate of Incorporation etc.)	Mandatory	Mandatory	Mandatory
	Proof of Address	Mandatory (Power of Attorney {PoA} mentioning the address is acceptable as address proof)	Mandatory (Power of Attorney mentioning the address is acceptable as address proof)	Mandatory other than Power of Attorney
	PAN	Mandatory	Mandatory	Mandatory
	Financial Data	Exempted *	Exempted *	Mandatory
	SEBI Registration Certificate	Mandatory	Mandatory	Mandatory
	Board Resolution	Exempted *	Mandatory	Mandatory
Senior Management (Whole Time Directors /	List	Mandatory	Mandatory	Mandatory
	Proof of Identity	Exempted *	Exempted *	Entity declares* on letter head full name, nationality, date of birth or submits photo identity proof

Partners/ Trustees/ etc.)	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *
Authorized Signatories	List and Signatures	Mandatory – list of Global Custodian signatories can be given in case of PoA to Global Custodian	Mandatory - list of Global Custodian signatories can be given in case of PoA to Global Custodian	Mandatory
	Proof of Identity	Exempted *	Exempted *	Mandatory
	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *
Ultimate Beneficial Owner (UBO)	List	Exempted *	Mandatory (can declare “no UBO over 25%”)	Mandatory
	Proof of Identity	Exempted *	Exempted *	Mandatory
	Proof of Address	Exempted *	Exempted *	Declaration on Letter Head *
	Photographs	Exempted	Exempted	Exempted *

\* Not required while opening the bank account. However, FPIs concerned may submit an undertaking that upon demand by Regulators/Law Enforcement Agencies the relative document/s would be submitted to the bank.

@@ FPIs from certain jurisdictions where the practice of passing Board Resolution for the purpose of opening bank accounts etc. is not in vogue, may submit 'Power of Attorney granted to Global Custodian/Local Custodian in lieu of Board Resolution'

<b>Category</b>	<b>Eligible Foreign Investors</b>
I.	Government and Government related foreign investors such as Foreign Central Banks, Governmental Agencies, Sovereign Wealth Funds, International/ Multilateral Organizations/ Agencies.
II.	<ul style="list-style-type: none"><li>a) Appropriately regulated broad based funds such as Mutual Funds, Investment Trusts, Insurance /Reinsurance Companies, Other Broad-Based Funds etc.</li><li>b) Appropriately regulated entities such as Banks, Asset Management Companies, Investment Managers/ Advisors, Portfolio Managers etc.</li><li>c) Broad based funds whose investment manager is appropriately regulated.</li><li>d) University Funds and Pension Funds.</li><li>e) University related Endowments already registered with SEBI as FII/Sub Account.</li></ul>
III.	All other eligible foreign investors investing in India under PIS route not eligible under Category I and II such as Endowments, Charitable Societies/Trust, Foundations, Corporate Bodies, Trusts, Individuals, Family Offices, etc.

**A. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO BUILDER PROJECT/ CORPORATE CLIENTS:**

- 1) Builder approaching the HFC for a small loan compared to the total cost of the project;
- 2) Builder is unable to explain the sources of funding for the project;
- 3) Approvals/sanctions from various authorities are proved to be fake or if it appears that client does not wish to obtain necessary governmental approvals/ filings, etc.;
- 4) Management appears to be acting according to instructions of unknown or inappropriate person(s).
- 5) Employee numbers or structure out of keeping with size or nature of the business (for instance the turnover of a company is unreasonably high considering the number of employees and assets used).
- 6) Clients with multijurisdictional operations that do not have adequate centralised corporate oversight.
- 7) Advice on the setting up of legal arrangements, which may be used to obscure ownership or real economic purpose (including setting up of trusts, companies or change of name/ corporate seat or other complex group structures).
- 8) Entities with a high level of transactions in cash or readily transferable assets, among which illegitimate funds could be obscured.

**B. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO INDIVIDUALS:**

- 1) Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- 2) Unnecessarily complex client structure.
- 3) Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear.
- 4) Customer is reluctant to provide information, data, documents;
- 5) Submission of false documents, data, purpose of loan, details of accounts;
- 6) Refuses to furnish details of source of funds by which initial contribution is made, sources of funds are doubtful etc.;
- 7) ~~Holder without sufficient personal assets;~~ Holder without sufficient personal assets, presents through a third party/Power of Attorney

- 8) Approaches a branch/ office of a HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/ office nearer to the given address;
- 9) Unable to explain or satisfy the numerous transfers in account/ multiple accounts;
- 10) Initial contribution made through unrelated third-party accounts without proper justification;
- 11) Availing a top-up loan and/ or equity loan, without proper justification of the end use of the loan amount;
- 12) Suggesting dubious means for the sanction of loan;
- 13) Where transactions do not make economic sense;
- 14) Unusual financial transactions with unknown source.
- 15) Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.
- 16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- 17) Encashment of loan amount by opening a fictitious bank account;
- 18) Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
- 19) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- 20) Multiple funding of the same property/dwelling unit;
- 21) Request for payment made in favour of a third party who has no relation to the transaction;
- 22) Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.
- 23) Multiple funding / financing involving NCO / Charitable Organisation / Small/ Medium Establishments (SMEs) / Self Help Groups (SHCs) / Micro Finance Groups (MFCs)
- 24) Frequent requests for change of address;
- 25) Overpayment of instalments with a request to refund the overpaid amount.

26) Investment in real estate at a higher/lower price than expected.

27) Clients incorporated in countries that permit bearer shares.