

## **KYC Policy**

### **Background**

As per RBI guidelines, in terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, Regulated Entities (REs) are required to follow certain customer identification procedures while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions. This policy is framed based on RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016, (last updated on May 10, 2021).

### **Objective**

The fundamental and primary objective of KYC (Know Your Customer) Policy is to prevent CCIL from being used, by criminal elements for money laundering activities or terrorist financing activities. Other major objectives of the policy are noted below:-

- a) To lay down criteria for acceptance of customers.
- b) To establish procedures to verify the identification of customers.
- c) To establish processes and procedures to monitor high value transactions and suspicious transactions.
- d) To conduct due diligence in respect of customers and reporting of transactions wherever necessary.

Details of the policy are given below:

#### **a. Definition of Customer**

For the purpose of our KYC policy, a Customer means a person as defined in Master Direction-Know Your Customer (KYC) Direction, 2016 issued by RBI as amended from time to time. Presently customer includes:-

- A person or entity maintaining a business relationship with the Company.
- A person on whose behalf the relationship is maintained.
- Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company.

#### **b. Customer Acceptance Policy (“CAP”)**

KYC details are filled in, to capture the relevant data for all categories of customers and supporting documents are collected as a part of customer identification process.

The following shall be ensured:

1. Accounts are not opened in anonymous or fictitious names and no account is opened where Customer Due Diligence (CDD) measures could not be applied.
2. The transaction or account based relationship shall be undertaken only by following the CDD procedure.
3. All mandatory information sought for KYC purpose shall be obtained, and optional information as may be necessary shall be obtained with the explicit consent of the customer.

4. Existing customer who is KYC compliant shall not be required for a fresh CDD exercise.
5. CDD procedures shall be followed for all the joint account holders, while opening joint account.
6. Whenever a pledge / security is released to third-party on production of authorisation letter from the customer the KYC of third-party needs to be verified in addition to complying all other guidelines.
7. While releasing payment of investments or securities (such as pledge, title deed etc.) to nominees/legal representatives, KYC of those recipients need to be verified.
8. The data of customers shall be cross-checked frequently to ensure that the names of customers do not appear in the sanction lists circulated by Reserve Bank of India.

**c. Customer Identification Procedures (“CIP”)**

CIP means identifying the customer and verify his/her identity by using reliable source documents, data or information. The Company shall obtain sufficient information necessary to verify the identity of each customer whether regular or occasional and the purpose of the intended nature of Business relationship. The requirement as mentioned herein may be moderated according to the risk perceptions in respective cases.

Identification of customers shall be undertaken in following cases:

1. At the time of commencement of account based relationship with the customer.
2. While carrying out any international money transfer operations for a person who is not already a customer.
3. When there is a doubt about the authenticity or adequacy of the customer identification data obtained.
4. While Selling third party products as agents and where the transaction amount is for more than Rupees fifty thousand.
5. When 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), and,
6. When we have 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.
7. It should be ensured that introduction is not sought while opening accounts.

**d. Customer Due Diligence (“CDD”)**

Customer Due Diligence (CDD) means identifying and verifying the customer and the beneficial owner.

**a) Documents required**

For undertaking the Customer Due Diligence (CDD) procedure in case of individuals the following are to be obtained:

- 1) A certified copy of any Officially Valid Document (OVD) containing details of his identity and address,
- 2) One recent photograph and,
- 3) The Permanent Account Number (PAN) or Form No. 60 (copy attached) as defined in Income-tax Rules, 1962.

- 4) Any other document as deemed necessary by the Company on individual cases.

Officially Valid Document (OVD) to be obtained towards Proof of identify and address:

**A. For Individuals**

SI No	Proof of Identity (Self-attested copy of anyone of the following)	SI No	Proof of Address (Self-attested copy of any one of the following)
1	Passport	1	Passport
2	PAN Card	2	Telephone Bill
3	Voter's ID	3	Electricity Bill
4	Driving License	4	Bank Account statements (not more than 3 months old)
5	AADHAAR	5	AADHAAR
6	ID card issued by any central / state Government Official		

\*Where the customer submits Aadhaar the Company shall ensure that such customer redacts or hides the Aadhaar number through appropriate means.

\*\*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. For Non Individuals**

**(i) Sole proprietary firm:**

CDD of the individual (proprietor) shall be carried out. In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- 1) Registration certificate
- 2) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- 3) Sales and income tax returns.
- 4) CST/VAT/ GST certificate (provisional/final)
- 5) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- 6) 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.
- 7) 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.
- 8) Utility bills such as electricity, water, land-line telephone bills, etc.
- 9) In cases where CCIL is satisfied that it is not possible to furnish two such documents, it may, at their discretion, accept only one of those documents as proof of business/activity, provided contact point verification is undertaken to 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.

**(ii) Company:**

Certified copies of each of the following documents shall be obtained:

- 1) Certificate of incorporation
- 2) Memorandum and Articles of Association
- 3) PAN of the Company
- 4) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- 5) Individual KYC of the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf.

**(iii) Partnership firm:**

Certified copies of each of the following documents shall be obtained:

- 1) Registration certificate
- 2) Partnership deed
- 3) PAN of the partnership firm
- 4) Individual KYC of the person holding an attorney to transact on its behalf

**(iv) Trust:**

Certified copies of each of the following documents shall be obtained:

- 1) Registration certificate
- 2) Trust deed
- 3) PAN or Form No.60 of the trust
- 4) Individual KYC of the person holding an attorney to transact on its behalf

**(v) Unincorporated association or a body of individuals:**

Certified copies of each of the following documents shall be obtained:

- 1) Resolution of the managing body of such association or body of individuals
- 2) PAN or Form No. 60 of the unincorporated association or a body of individuals
- 3) Power of attorney granted to transact on its behalf

**b) Beneficial Owner (BO)**

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

“Controlling ownership interest” means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the Company.

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

ii) Where the **customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.

iii) Where the **customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

iv) In ‘body of individuals’ including societies, where no natural person is identified under (i), (ii) or (iii) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

v) Where the customer is a **trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

**e. Monitoring and reporting of Transactions:**

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. Special attention will be paid to complex/unusual transactions and transactions falling outside the regular pattern of activity. Background of the customer, sources of fund and risk factors will be monitored. Higher risk accounts shall be subjected to close and detailed monitoring.

On-going due diligence of customers shall be undertaken to ensure that their transactions are consistent with our knowledge about the customers, customers’ business and risk profile and the source of funds. The extent of monitoring shall be aligned with the risk category of the customer.

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

After due diligence, transactions of suspicious nature will be reported by the Principal Officer to the Director, Financial Intelligence Unit- India (FIU\_IND). The role and responsibilities of the Principal Officer for KYC/ AML/ CFT (s) should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made there under, as amended from time to time.

**f. On-going Due Diligence**

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.

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

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 shall be immediately reported to Reserve Bank of India and other appropriate authorities such as FIU-IND.

g. **Risk Management:**

All customers would be included under this policy. Customers will be categorized based on perceived risk, into three categories - A, B & C for High, Medium and Low risk respectively.

None of the entities will be exempted from KYC procedure, irrespective of the status and relationship with Company or promoter. The above requirement may be moderated according to the risk perception.

<b>Risk Category</b>	<b>Customers covered</b>
High Risk - Category A	(a) Partnership Firms with sleeping partners (b) Non face to face customers and (c) Person with dubious reputation (d) Politically Exposed Persons (PEPs)
Medium Risk - Category B	(a) HNIs (b) NRIs (c) NGOs, Trusts, Charitable Organizations, Organizations receiving donations
Low Risk - Category C	Individuals (other than those not covered under above two categories).  All Gold Loan and Micro Finance borrowers shall be classified under low risk category.

h. **Periodic updation:**

The periodicity of updating KYC shall be once in ten, eight or two years in case of low, medium and high risk category customers, respectively.

<b>Risk Category</b>	<b>Periodicity of updating KYC</b>
High Risk - Category A	Once in <b>2 years</b>
Medium Risk - Category B	Once in <b>8 years</b>
Low Risk - Category C	Once in <b>10 years</b>

i. **Compliance of KYC policy**

Effective implementation of KYC policy and procedures thereon shall be monitored through internal audit. The Head Operations and Risk Management will be responsible for submission of monthly audit notes and compliance to the Audit Committee.

j. **Training.**

All the employees are to be adequately trained in KYC/ AML/ CFT procedures. Training requirements shall have different focuses for frontline staff, compliance staff and officer/staff dealing with the new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them.

k. **Record Management:**

The Company shall,

- (a) Maintain all necessary records of transactions with the customer, both domestic and international, for at least five years from the date of transaction;
- (b) Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- (c) Make available the identification records and transaction data to the competent authorities upon request.

l. **Secrecy Obligations and Sharing of Information:**

- (a) CCIL shall maintain secrecy regarding the customer information which arises out of the contractual relationship between CCIL and the 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, CCIL shall satisfy itself that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.
- (d) The exceptions to the above said rule shall be as under:
  - i. Where disclosure is under compulsion of law,
  - ii. Where there is a duty to the public to disclose,
  - iii. The interest of the Company requires disclosure and
  - iv. Where the disclosure is made with the express or implied consent of the customer.
- (e) CCIL shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.