



**Know Your Customer  
&  
Anti-Money Laundering Policy  
(KYC and AML Policy)**

**Laxmi India Finleasecap Private Limited**

(Sapne dekho Bade Dekho Hamare Saath Unhe Pura Hote Hue Dekho)



## 1. Introduction

Laxmi India Finlease Private Limited (hereinafter referred as “the Company” or “LIFC” or “Laxmi India”) “a Non-Banking Financial Company (‘NBFC’) holding a valid Certificate of Registration (“CoR”) with Reserve Bank of India (‘RBI’) vide registration no. B-10.00318 dated March 15, 2021 under current RBI classification as NBFC - Investment and Credit Company (NBFC-ICC) – Non Deposit taking Systemically Important (‘ICC-ND-SI’) with more than 20 years of experience in asset finance business.

It is focused on offering financing of MSME, Loan against property, commercial vehicles (HCV, LCV, MUV, SUV), Tractors, Two-wheelers, Personal and Business Loan.

## 2. Preamble

RBI advised NBFCs to ensure that a proper policy framework on ‘Know Your Customer’ and Anti-Money Laundering measures with the approval of the Board is formulated and put in place. Accordingly, LIFC has in place Board approved Anti Money Laundering Policy and KYC Norms (the Policy). Based on the experience gained over the past years, the Policy is proposed to be reviewed and improved keeping in view the Master Directions/Circulars on the subject issued by RBI vide **Master Direction - Know Your Customer (KYC) Direction, 2016 vide master direction no. RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 dated February 25, 2016 and Master Circular – Know Your Customer (KYC) norms / Anti-Money Laundering (AML) standards / Combating of Financing of Terrorism (CFT) / Obligation of banks under PMLA, 2002 vide Master Circular Number RBI/2015-16/108 DNBR (PD) CC No. 051/03.10.119/2015-16 dated July 1, 2015**, as amended from time to time, (‘RBI’s Guidelines’) which is to be read along with the extant Directions issued by the RBI in this regard or any other applicable law in force. This policy document is a consolidation of various guidelines issued by Reserve Bank of India as also our Company for proper identification of an account holder/customer.

## 3. Objectives, Scope of the Policy

The objective of RBI guidelines is to prevent the company from being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandate making reasonable efforts to determine the identity and beneficial ownership of accounts, source of funds, the nature of customer’s business, reasonableness of operations in the account in relation to the customer’s business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

The company should take necessary steps to ensure that the relevant staff are adequately trained in KYC/AML procedure and to comply with applicable laws and regulatory guidelines. This policy is applicable to all branches and all other offices of the Company as situated.

## 4. Definitions

- ✚ “**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.



✚ **"Aadhaar number"** and **"Authentication"** means an identification number and identification process as defined under sub section (a) and (c) of Section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act' as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force;

✚ **"Beneficial Owner" ('BO')** to be considered as such BOs in relation to a customer is given below: -

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

**Explanation-** For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.

2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholder's agreements or voting agreements.

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

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

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

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

✚ **"Customer"** for the purpose of this Policy would have the same meaning as assigned to it under the RBI's Guidelines on 'Know Your Customer' and Anti-Money Laundering Measures, as amended from time to time.

✚ **"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.

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

✚ **"Customer identification"** means undertaking the process of CDD.

✚ **"Designated Director"** means a person designated by the Company to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules.



- ✦ **“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.
- ✦ **“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).
- ✦ **“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
- ✦ **“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.
- ✦ **“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 Tax payers or foreign entities in which U.S Tax payers hold a substantial ownership interest.
- ✦ **“Know Your Client (KYC) Identifier”** means the unique number or code assigned to a customer by the Central KYC Records Registry
- ✦ **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- ✦ **“Officially valid document” (OVD)** means the passport, the driving license, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address. Provided that: -
  - a) Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
  - b) Where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address: -
    - (i) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
    - (ii) property or Municipal tax receipt;
    - (iii) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
    - (iv) letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;



- ✦ **“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.
- ✦ **“Offline verification”** Means the process of verifying the identity of the Aadhaar number holder without authentication, through such offline modes as may be specified by regulations.
- ✦ **“Principal Officer”** means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.
- ✦ **“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.
- ✦ **“Politically Exposed Persons” (PEPs)** are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc
- ✦ **"Person"** has the same meaning as defined 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 anyone of the above persons (a to e),
  - g. and any agency, office or branch owned or controlled by any of the above persons (a to f)
- ✦ **“Reporting Entity” “REs”** for the purpose of this Policy would mean the Company, Laxmi India Finleaseap Private Limited.
- ✦ **“Senior Management”** shall include Designated Director, Principal Officer, Key Managerial Personnel, Compliance Officer and National/Functional Heads of the Company.
- ✦ **"Suspicious Transaction"** means 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.

- ✦ **"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.

✚ **“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 CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures shall be treated on par with face-to-face CIP for the purpose of this Master Direction.

## 5. Money Laundering and Terrorist Financing Risk Assessment

- a. The Company 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, the Company shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with the Company from time to time.

- b. The risk assessment by the RE shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the Company. Further, the periodicity of risk assessment exercise shall be determined by the Board of the Company, in alignment with the outcome of the risk assessment exercise. However, it shall be reviewed 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.
- d. The Company shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, The Company shall monitor the implementation of the controls and enhance them if necessary.

## 6. KYC Standards

The Company hereunder framing its KYC policies incorporating the following four key elements:

- (i) Customer Acceptance Policy (CAP);**
- (ii) Risk Management**
- (iii) Customer Identification Procedures;**
- (iv) Monitoring of Transactions;**





**(i) Customer Acceptance Policy (CAP)**

(a) LIFC's Customer Acceptance Policy lays down explicit criteria for acceptance of customers, ensures the following aspects of the customer relationship:

(b) No account is opened in anonymous or fictitious / benami name(s);

(c) Customers are all assessed for location of residence, business if any including type of clients and also the mode of transactions and payments.

(d) Volume of turnover, social and financial status, etc. to enable categorization of customers into low, medium and high risk (these customers will require very high level of monitoring).

(e) Documentation requirements and other information collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued from time to time.

(f) LIFC will not open an account where it is unable to apply appropriate customer due diligence measures, i.e. where LIFC is unable to verify the identity and /or obtain documents required as per the risk categorization due to non-co-operation of the customer or non-reliability of the data/information furnished.

(g) Checks against any notified list of the RBI, before accepting a customer, to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

(h) LIFC will prepare a profile for each new customer which contains 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 LIFC. However, while preparing the customer profile, LIFC 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.

(i) It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation will not result in denial of LIFC's services to the general public.

(j) Customer Acceptance Policy requires all customers to fill in KYC Form to capture the relevant data for all categories of customers and provide supporting documents as a part of customer identification process / KYC.

**(ii) Risk Management**

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

(b) There will be risk profile prepared for each customer and enhanced due diligence measures will be applied on higher risk customers. LIFC should take steps to identify and assess their ML/FT risk for



customers, countries and geographical areas as also for products/ services/ transactions/delivery channels as prescribed.

(c) No deviations or exemptions shall normally be permitted in the documents specified for account opening. In case of any extreme cases of exceptions, concurrence of Policy section should be obtained duly recording the reasons for the same.

(d) The NBFC 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.

(e) LIFC's Board through Audit Committee and Asset Liability Management Committee will directly evaluate and ensure adherence to the KYC policies and procedures, including legal and regulatory requirements.

(f) LIFC has already ensured that the Sales, Operational and Credit staff are aware that no loan accounts will be created unless the KYC procedures are adhered to completely.

(g) Periodical review of risk categorization of customer accounts will be carried out. LIFC will have a system of periodical updation of customer identification data (including photograph/s) after the account is opened.

(h) Examples of customers requiring Lower due diligence may include: -

- i. Salaried employees with well-defined salary structures;
- ii. People working with government owned companies, regulators and statutory bodies, etc;
- iii. People belonging to lower economic strata of the society whose accounts show small balances and low turnover;
- iv. People working with Public Sector Units;
- v. People working with reputed Public Limited Companies and Multinational Companies

(i) Examples of customers requiring medium due diligence may include: -

- i. Salaried applicant with variable income/ unstructured income receiving Salary in cheque;
- ii. Salaried applicant working with Private Limited Companies related to travel agents, telemarketers, internet café and International direct dialing (IDD) call service.
- iii. Companies having close family shareholding or beneficial ownership

(j) Examples of customers requiring higher due diligence may include: -

- i. non-resident customers,
- ii. high net worth individuals,
- iii. trusts, charities, NGOs and organizations receiving donations,
- iv. firms with 'sleeping partners',
- v. politically exposed persons (PEPs) of foreign origin,
- vi. non-face to face customers, and
- vii. those with dubious reputation as per public information available, etc.
- viii. Individuals and entities listed or identified in – various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267, schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967, in watch lists issued by Interpol and other similar international organizations, regulators, FIU and other competent authorities as high-risk etc.
- ix. Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, etc.
- x. Gambling/gaming including “junket operators” arranging gambling tours.





#### xi. Jewelers and Bullion Dealers

(k) Adoption of customer acceptance policy and its implementation shall not become too restrictive and the Company will strive not to inconvenience the general public, especially those who are financially or socially disadvantaged.

#### **(iii) Customer Identification Procedure (CIP)**

(a) The policy clearly spell out the Customer Identification Procedure to be carried out at different stages i.e. while establishing a business relationship; carrying out a financial transaction or when the Company 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 the identity by using reliable, independent source documents, data or information. LIFC 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 business relationship. Being satisfied means that the Company 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. Such risk based approach is considered necessary to avoid disproportionate cost to Company and a burdensome regime for the customers.

(b) Besides risk perception, the nature of information/ documents required would also depend on the type of customer (individual, corporate etc.).

(c) For customers that are natural persons, the Company will obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph.

(d) For customers that are legal persons or entities, the bank will (i) verify the legal status of the legal person/ entity through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person, (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

(e) The Company has framed its own internal guidelines based on their experience of dealing with such persons/entities, normal lender's prudence and the legal requirements as per established practices.

(f) The Company will take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are. Documentation requirements and other information shall be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued by Reserve Bank of India from time to time.

(g) The documents requirements would be reviewed periodically as and when required for updating, keeping in view the emerging business requirements. Senior Official(s) in charge of the Policy are empowered to make amendments to the list of such documents required for customer identification in consultation with the sales and distribution channels and compliance.

The Company will obtain the documents as per the nature of customers which are as mentioned below:

#### ➤ **Accounts of Individuals**



In case of customers that are natural person the Company will obtain sufficient identification data to verify (a) the identity of customer (b) his/her address/ location and (c) his/her recent photograph. The Company may also undertake V-CIP to carry out CDD in case of new customer on-boarding for individual customers, proprietor in case of proprietorship firm, and shall adhere to the standards as prescribed under PML Act/ RBI guidelines/KYC Policy. The true identity and bonafides of the existing customers and new potential customers opening credit accounts with the Company and obtaining basic background information would be of paramount importance.

➤ **Other than individual accounts**

For customers that are legal person or entities the Company will (a) verify the legal status of the legal person/entity through proper and relevant documents, (b) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person, (c) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. The Company may also undertake V-CIP to carry out CDD in case of new customer on-boarding for authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers and shall adhere to the standards as prescribed under PML Act/ RBI guidelines/KYC Policy.

➤ **Accounts of companies and firms**

Branches need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with the company. Branches should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the shareholders. But at least promoters, directors and its executives need to be identified adequately.

➤ **Accounts of Politically Exposed Persons (PEPs) resident outside India**

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Branches should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. Branches should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The branches should seek prior approval of their concerned Credit Heads for opening an account in the name of PEP.

➤ **Accounts of proprietary concerns**

The Company may undertake V-CIP to carry out CDD of a proprietorship firm, by obtaining the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 28 of Master Direction, apart from undertaking CDD of the proprietor and shall adhere to the standards as prescribed under PML Act/ RBI guidelines/KYC Policy. The Company should call for and verify the following documents before opening of accounts in the name of a proprietary concern:

Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST/VAT certificate, certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities, Licence issued by the Registering authority like Certificate



of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, registration/licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/Department. the Company may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT, the 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 and utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern as required documents for opening of bank accounts of proprietary concerns.

Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

➤ **Obtaining Guarantor on credit facilities**

The Company generally insists on “Guarantee” by a known person (who becomes guarantor to a particular credit facility). Obtaining Guarantee from a known person is a process of ascertaining the identity of a person and his acceptability for establishing business relationship and verifying the true identity of the intending customer before opening a credit account. Further, Guarantor also acts as an introducer of the customer to the Company for the credit facilities.

➤ **Liabilities of the Guarantor**

Guarantor is legally responsible to the Company for the repayment of the credit facilities by the customer and is expected to be in a position to identify/trace the account holder in case of need.

➤ **Procedure for providing Guarantee**

The Guarantor will be required to sign on the agreement entered into with the Customer at various places provided in the loan agreement form.

The Guarantor will be normally required to visit the Company’s branch for signing the agreement. However, this need not be compulsory.

➤ **Closure of accounts**

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

**(iv) Monitoring of Transactions**

(i) Ongoing monitoring is an essential element of effective KYC procedures. LIFC can effectively control and reduce risk by having an understanding of the normal and reasonable activity of the customers. However, the extent of monitoring will depend on the risk sensitivity of the account. Since LIFC being a Non Deposit Accepting NBFC will not have any deposit accounts, this situation will hardly arise, but LIFC 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.



(ii) LIFC will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. LIFC 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.

<p><b>A. INDIVIDUAL CUSTOMERS</b></p> <p>a) No change in KYC information</p> <p>b) Change in address</p> <p>c) Accounts of customers who were minor at the time of opening account on their becoming major</p>	<p>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 Company), letter etc.</p> <p>A self-declaration of the new address shall be obtained from the customer 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 Company), letter etc. The Company may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, for the purpose of proof of address, declared by the customer at the time of periodic updation.</p> <p>A fresh photograph shall be obtained from the customer on their becoming a major and it shall be ensured that CDD documents as per the current CDD standards are available with the Company. The Company may also carry out fresh KYC of such customers, wherever required.</p>
<p><b>B. CUSTOMERS OTHER THAN INDIVIDUALS (LEGAL ENTITY)</b></p> <p>a) No change in KYC information</p> <p>b) Change in KYC information</p>	<p>A self-declaration shall be obtained from the Legal Entity (LE) customer through its email id registered with the Company, ATMs, digital channels (such as online banking / internet banking, mobile application of Company), letter from an official authorized by the LE in this regard, board resolution etc. The Company shall ensure that Beneficial Ownership (BO) information available with them is accurate and up-to-date.</p> <p>The Company shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.</p>
<p><b>ADDITIONAL MEASURES</b></p>	<p>a) The Company shall ensure that the KYC documents of the customer as per the current CDD standards are available with them. Further, if the validity of the CDD documents available with the Company has expired at the time of periodic updation of KYC, Company shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.</p> <p>b) 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.</p> <p>c) An 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 /</p>



	<p>documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the Company and an intimation, mentioning the date of updation of KYC details, is provided to the customer.</p> <p>d) In order to ensure customer convenience, Company 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 of Company or any committee of the Board to which power has been delegated.</p> <p>e) Company shall ensure that their internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.</p>
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## **7. CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)**

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR) Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be.

## **8. Appointment of Designated Director**

Mr. Suresh Choudhary, Assistant Manager- Operations of the company shall be appointed & designated as "Designated Director" to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and rules.

## **9. Appointment of Principal Officer**

Mr. Deepak Baid, Managing Director of the company has nominated as Principal Officer of the Company, who shall be responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under PML Act/ KYC Policy.

## **10. Compliance of KYC policy:**

a) LIFC to ensure compliance with KYC Policy through:

(i) A senior officer in the rank above of Vice President will constitute as 'Senior Management' for the purpose of KYC compliance.

(ii) Allocation of responsibility for effective implementation of policies and procedures at HO / Regional Office/ Zonal Office / Branch Office level.

(iii) All HO Departments to ensure compliance of KYC guidelines in their respective areas of operation, products, services, activities etc.

(iv) Independent evaluation of the compliance functions of the Company's policies and procedures, including legal and regulatory requirements be done by Internal auditor and Secretarial Auditor appointed by the Company;

(v) Internal auditor shall verify the compliance with KYC / AML policies and procedures and submit audit notes and compliance to the Audit Committee on yearly basis.

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





## **11. Maintenance of records of transactions/Information to be preserved/Maintenance and preservation of records/Cash and Suspicious transactions reporting to Financial Intelligence Unit- India (FIU-IND)**

Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the said Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the banking/Financial companies in regard to preservation and reporting of customer account information.

LIFC has a system of maintaining proper record of transactions as required under Prevention of Money-Laundering Act and value of transactions, the procedure and manner of maintaining and verification.

### **(i) Maintenance of records of transactions:**

The company shall maintain the proper record of transactions prescribed under Rule 3 of PML Rules, 2005, as mentioned below:

- a) all cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakh 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 Lakh or its equivalent in foreign currency;
- c) all transactions involving receipts by non-profit organizations of value more than rupees ten lakh or its equivalent in foreign currency;
- d) 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 transaction;
- e) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.
- f) all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;
- g) all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.

### **(ii) Information to be preserved:**

The company will maintain all necessary information in respect of transactions referred to in Rule 3 to permit reconstruction of individual transaction, including the following information:

- (i) the nature of the transactions;
- (ii) the amount of the transaction and the currency in which it was denominated;
- (iii) the date on which the transaction was conducted; and
- (iv) the parties to the transaction.

### **(iii) Maintenance and Preservation of Records**





LIFC has an appropriate 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.

The necessary records of transactions, both domestic or international which permits 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 are maintained for at least ten years from the date of cessation of transaction between the LIFC and the client.

All the records pertaining to the identification of the customer and his 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 are made available to the competent authorities upon request.

LIFC 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.

## 12. Reporting to Financial Intelligence Unit – India: -

There are following below mentioned reporting which are filed with FIU-ID at FINGATE:

Snapshot of various Transactions Reporting Formats to Financial Intelligence Unit India					
Sl.	Report	Description	Amount	Frequency and Due Date	Formats
1	Cash Transaction Reports (CTR)	All cash transactions of the value of more than rupees ten lakhs or its equivalent in foreign currency.	Rs. 10,00,000/-	Event Based and 15th day of the succeeding month	As Prescribed from time to time.
		All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month			
2	Counterfeit Currency Reports (CCR)	All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions	Rs. 5,00,000/-	Event Based and 15th day of the month succeeding the quarter.	
3	Non-Profit Organization Transaction Report (NTR)	All transactions involving receipts by non-profit organizations of value more than Rs. Ten lakhs or, its equivalent in foreign currency			
4	Cross Border Wire Transfer Reports (CBWTR)	All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.	Rs. 50,00,000/-		
5	Report on sale/purchase of immovable property (IPR)	All purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity*, as the case may be.			



<b>6</b>	<b>Suspicious Transaction Reports (STR)</b>	All suspicious transactions whether or not made in cash		Event Based and Not later than seven working days on being satisfied that the transaction is suspicious.
<b>In terms of the PMLA rules, the Company will report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address and portal</b>				
<i>Address</i>			<i>Portal</i>	
<i>Director, FIU-IND, Financial Intelligence Unit-India, 6<sup>th</sup> Floor, Hotel Samrat, Chanakyapuri, New Delhi-110021</i>			<i><a href="http://fiuindia.gov.in/">http://fiuindia.gov.in/</a></i>	

### 13. Combating financing of terrorism

In terms of PMLA Rules, suspicious transaction shall include inter alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. The company, therefore, shall develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority.

As and when list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), is circulated by Reserve Bank, the company shall ensure to update the consolidated list of individuals and entities as circulated by Reserve Bank. The company shall, before opening any new account, ensure that the name/s of the proposed customer does not appear in the list. Further, the company shall scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall be immediately be intimated to RBI and FIU-IND. KYC norms/AML standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the financial channels. Adequate screening mechanism shall be put in place by the company as an integral part of recruitment/hiring process of personnel.

### 14. Filing of Suspicious Transaction Report (STR)

LIFC should not open an account (or should consider closing an existing account) when it is unable to apply appropriate CDD measures. It was clarified that in the circumstances when a NBFC believes that it would no longer be satisfied that it knows the true identity of the account holder, the Company should also file an STR with FIU-IND.

### 15. Policy Review

The Policy would ideally be reviewed at periodic intervals, preferably on an annual basis. However, the policy can be reviewed at short notice depending on the exigencies/extraordinary situations, which may emanate during the course of Company's business. This Policy shall remain in force till the next revision is carried out and disseminated.



**Annexure**  
**Illustrative Customer identification procedure**

<b>Types of customers: features to be verified.</b>	<b>Illustrative Documents to be obtained</b>
<p>Accounts of individuals:</p> <p>- Legal name and any other names used</p> <p>- Correct permanent address</p>	<p>(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving License (v) Job Card issued by NREGA duly signed by an officer of the State Govt (vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number</p> <p>(vii) Identity card (subject to the bank's satisfaction) (viii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of bank (ix) Aadhaar Card including e-Aadhar.</p> <p>(i) Telephone bill (ii) Bank account statement (iii) letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Aadhaar Card including e-Aadhar (vii) Letter from employer (subject to satisfaction of the Company) (any one document which provides customer information to the satisfaction of the Company will suffice).</p>
<p>Accounts of partnership firms</p> <ul style="list-style-type: none"> <li>• Legal name</li> <li>• Address</li> <li>• Names of all partners and their addresses</li> <li>• Telephone numbers of the firm and partners.</li> </ul>	<p>(i) Registration certificate, if registered (ii) Partnership deed (iii) PAN of the Partnership Firm (iv) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (v) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (vi) Telephone bill in the name of firm/partners.</p>
<p>Accounts of companies</p> <ul style="list-style-type: none"> <li>• Name of the company</li> <li>• Principal place of business</li> <li>• Mailing address of the company</li> <li>• Telephone/Fax Number.</li> </ul>	<p>(i) Certificate of Incorporation and Memorandum &amp; Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill.</p>
<p>Accounts of trusts &amp; foundations</p> <ul style="list-style-type: none"> <li>• Names of trustees, settlers, beneficiaries and signatories.</li> <li>• Names and addresses of the founder, the managers/ directors and the beneficiaries. Telephone/fax numbers</li> </ul>	<p>(i) Certificate of registration, if registered (ii) Trust Deed (iii) PAN or Form 60 of the Trust (iv) Power of Attorney granted to transact business on its behalf (v) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses. (iv) Resolution of the managing body of the foundation/ Association. (v) Telephone bill.</p>
<ul style="list-style-type: none"> <li>• Telephone/fax numbers.</li> </ul>	<p>Attorney, founders/managers/ directors and their addresses. (vi) Resolution of the managing body of the foundation/ association. (vii) Telephone bill.</p>



<p>Accounts of Proprietorship Concerns</p> <ul style="list-style-type: none"><li>• Proof of the name, address and activity of the concern</li></ul>	<p>(i) Registration certificate (in the case of a registered concern)</p> <p>(ii) Certificate/license issued by the Municipal authorities under Shop &amp; Establishment Act,</p> <p>(iii) Sales and income tax returns</p> <p>(iv) CST/VAT certificate/GST Certificate</p> <p>(v) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities</p> <p>(vi) Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/ Department, etc. Banks may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of the bank account etc.</p> <p>(vii) The 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.</p> <p>(viii) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.</p> <p>Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.</p>
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