ROCKLAND FINSTOCK LIIVIITED (RFL) POLICY GUIDELINES ON KNOW YOUR CUSTOMER AND ANTI MONEY LAUNDERING

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1. **Introduction** :

Reserve Bank of India has been issuing notifications from time to time vide which NBFC's have been advised to formulate policies and guidelines on the KYC and AML which are very important to adhere to because of the importance attached to it not only by the Banking Regulators all over the world but by the Government Authorities and other Investigating Agencies because of its repercussions on the terrorist activities .

The Circulars issued by the Reserve Bank of India with regard to KYC and AML are mentioned as under:

DNBS (PD) CC no 285/03.10.42/2012- 13 dated July 2012

DNBS (PD) CC no 321 /03.10.42/2012- 13 dated February 2013

.. DNBR (PD) CC no 051/03.10.119/2015-16 dated July 2015

The KYC and Anti Money Laundering measures as adopted by the company are in conformity with the guidelines as contained in the aforesaid Reserve Bank of India circulars. Company efforts are to frame a proper policy on KYC and AML which is fair and transparent to all the stakeholders and complies with all the rules and regulations issued by the regulatory authorities. The company further commits that the information obtained from the Customers will be kept confidential and will not be disclosed to any agency except the Government Authorities when specifically called for. Company 's interest in the information on the Customers is to meet the regulatory compliances only and not to be intrusive.

The policy of the company is to treat all the customers fairly and consistently. The employees will also offer assistance, encouragement and services in a fair , equitable and consistent manner. The company will also upload its policies and guidelines related to KYC and AML for the customers for easy understanding and reference.

Company will ensure that the KYC and AML guidelines are followed and implemented by all the employees of the organization in letter and spirit as desired by the Reserve Bank of India.

The company1s fair lending policies shall apply across all aspects of its operations including marketing, loan origination, processing, servicing and collection activities.

The company's Board of Directors and Management Team are responsible for implementing the KYC and AML norms and also to ensure that its operations reflect its initiatives to prevent money laundering activities.

The company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to conform to the standards so prescribed. The contents of the policy shall be read in tandem / auto corrected with the changes / modifications which may be advised by RBI from time to time.

The terms used more regularly in the policy are defined as under:

CUSTOMER:

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

OFFICIALLY VALID DOCUMENTS (OVD)

OVD means the passport, the driving license, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator.

(i) Provided that where 'simplified measures' are applied for verifying the identity of the clients the following documents shall be deemed to be OVD :

a) identity card with applicant's Photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities·, Public Sector Undertakings, Scheduled Commercial Banks and Public Financial Institutions;
b) Letter issued by a gazette officer, with a duly attested photograph of the person.

(ii) Provided further that where 'simplified measures' are applied for verifying for the limited purpose of proof of address, the following additional documents are deemed to be OVDs :

a) Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
b) Property or Municipal Tax receipt;
c) Dank account or Post Office savings bank account statement;
e) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; Letter of allotment of accommodation from employer issued by State or

   Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and
f) Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.

Person

In terms of PML Act a 'person' includes:

(i) an individual,

(ii) a Hindu undivided family,

(iii) a company,

(iv) a firm,

(v) an association of persons or a body of individuals, whether incorporated or not,

(vi) every artificial juridical person, not falling within any one of the above persons (i to v), and

(vii) any agency, office or branch owned or controlled by any of the above persons (i to vi).

Transaction:

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

(i) opening of an account;

(ii) deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;

(iii) the use of a safety deposit box or any other form of safe deposit;

(iv) entering into any fiduciary relationship;

(v) any payment made or received in whole or in part of any contractual or other legal obligation.

2. OBJECTIVE:

The objective of the KYC guidelines is to prevent the company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the company to know / understand their customers and their financial dealings better which in turn help them manage their risks prudently . The company here under frames its own KYC policies incorporating the following four key elements:

i) Customer Acceptance Policy

ii) Customer Identification Policy

iii) Monitoring of Transactions and

Iv) Risk Management

3. Customer Acceptance Policy (CAP)

The guidelines for customer acceptance policy for RFL are given as under:

- No account 1s opened in anonymous or fictitious /benami name(s).
- The company shall classify customers into various risk categories and based on risk perception decide on the acceptance criteria for each customer category .
- Accept customers after verifying their identity as laid out in Customer identification procedures.
- For the purpose of Risk categorization of custon1er , company shall obtain the relevant information from the customer at the time of account opening.
- Risk perception shall be clearly defined in terms of the nature of Business activity, location of Customer and his clients , mode of payments , volume of turnover , social and financial status to categorize customers into low , medium and high risk customers . Politically exposed persons (PEP) specially of foreign origin have to be classified as High Risk Customers .
- The company shall not open an account where the company is not able to apply appropriate Customer Due Diligence .
- For the purpose of Risk Categorization individuals whose accounts by and large conform to the known profile shall be categorized as Low Risk examples such as Salaried Employees.
- Examples of customers requiring Higher Due Diligence may include :
  Non-resident customers
  High net worth Individuals

Trusts , Charities, NGOs and Organizations receiving Donations
Companies having close family shareholdings or beneficial ownerships
Firms with sleeping partners Politically exposed persons
Non face to face customers
Those with dubious reputation as per public information available.

As per RBI instructions under Circular no DNBS/ PD/ CC no 193/03.10.42/2010-11 the company shall not open the account on behalf of a Client by professional intermediaries like Chartered Accountant and Lawyers who are unable to disclose the true identity of the owner of the account.

4. CUSTOMER IDENTIFICATION PROCEDURE (CIP}

The policy approved by the Board of the company spells out the Customer Identification Procedure to be carried out at different stages while establishing a business relationship, carrying out a financial transaction or while having suspicion about the authenticity of the Customer data.

Customer Identification means identifying the Customer and verifying his or her identity by using reliable independent source documents, data or information. Being satisfied means that the company shall be able to satisfy the Competent Authorities that the due diligence was observed based on the risk profile.

For customers that are Natural Persons the company shall obtain sufficient identification data to verify the identity of the Customer , his Address , location and his latest photograph .

For Customers that are Legal persons or Entities the company shall

i) verify the legal status of the legal person / entity through proper documents.

ii) Verify that any person purporting to act on behalf of the legal person /entity is so authorized and verify the identity of that person .

iii) verify the ownership and control structure of the Customer and determine who are the natural persons who ultimately control the legal person.

Important Government of India Instructions on KYC and PML with regard to Customer Identification .

Pursuant to the Government of India Notification No. 14/2010/F.No. 6/2/2007-ES dated December 16, 2010, the letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number, can be accepted as an officially valid document as contained in Rule 2(1)(d) of the PML Rules, 2005.

In case of accounts opened on the basis of Aadhaar , the company must obtain the current address of the customer and the required proof of the same as per extant instructions.

In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, the e-KYC service launched by UIDAI shall be used . It has therefore been decided to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process ("which is in an electronic form and accessible so as to be usable for a subsequent reference") may be treated as an 'Officially Valid Document' under PML Rules.

Further the company has decided that while using e-KYC service of UIDAI, the individual user has to authorize the UIDAI, by explicit consent, to release her or his identity/ address through biometric authentication to the company. The UIDAI then transfers the data of the individual comprising name, age, gender, and photograph of the individual, electronically to the Company, which may be accepted as valid process for KYC verification.

The broad operational instructions to NBFCs willing to use the UIDAI e-KYC service on Aadhaar e-KYC service are enclosed as Annex . Company will install

proper infrastructure (as specified in Annex) in place to enable biometric authentication for e-KYC . Physical Aadhaar card / letter issued by UIDAI containing details of name, address and Aadhaar number received through post would continue to be accepted as an 'Officially Valid Document'

Further, NBFCs may accept e-Aadhaar downloaded from UIDAI website as an officially valid document subject to the following:

a) If the prospective customer knows only his/ her Aadhaar number, the NBFC may print the prospective customer's e-Aadhaar letter **in** the NBFC directly from the UIDAI portal; or adopt e-KYC procedure as mentioned above.

b) If the prospective customer carries a copy of the e-Aadhaar downloaded elsewhere, the NBFC may print the prospective customer's e-Aadhaar letter in the NBFC directly from the UIDAI portal; or-adopt e-KYC procedure as mentioned above; or confirm identity and address of the resident through simple authentication service of UIDAI.

Allocation of Unique Customer Identification Code (UCIC)

As required by RBI guidelines dated May 2013 the company shall allot Unique Customer Identification Code to all its new customers while entering new relationships.

The UCIC is required for setting up Centralized KYC Registry for customers across different Financial Institutions. Unique Customer Identification Code (UCIC) will help the company to identify the customers, avoid multiple identities, track the facilities availed, monitor financial transactions in a holistic manner and enable company to have a better approach to risk profiling of customers.

5. **Monitoring of Transactions** :

Ongoing monitoring of transactions carried out by the customers is a very important art of KYC and AML procedures. The company can control and reduce the risk provided it understands the normal business of the customer so that any extra ordinary transaction comes to the knowledge of company instantly. Company will pay special attention to unusually large transactions which have no visible lawful purpose.

Transactions involving large amounts of Cash inconsistent with the normal and expected activity of the customer would be examined closely

All transactions of suspicious nature shall be reported . Principal officer of the company shall ensure that such reporting system is in place and shall monitor receipts of reports.

All suspicious transactions shall be reported to the appropriate law enforcement authorities by the Principal Officer.

The necessary document s, information and records would be maintained and preserved for the period prescribed under PML Act

6. **Risk Management:**

The company has ensured that an effective KYC program has been put in place by establishing appropriate procedures and ensuring their effective implementation. It will cover management over sight systems and controls, segregation of duties, training and other related matters.

The company may in consultation with their Boards 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.

Concurrent/ Internal Auditors of the company will check and verify the application of KYC procedures and comment on the lapses observed.

Operations Department of the company will put up an Action Taken report to the Board of the Company for the information and compliance.

Combating of Financing of Terrorism:

In terms of Prevention of Money Laundering Act, suspicious transaction shall include which give rise to a reasonable ground of suspicion that these may involve financing of activities relating to terrorism .

The company will develop suitable systems 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 (FIU-Ind)

The company will also maintain and update list of individuals and entities put out by the United Nations and Reserve Bank of India to ensure that the company does not open the account of persons appearing in such lists.

In case any account having resemblance to the names circulated by the UNO and RBI the information shall be immediately intimated to RBI and FIU --IND.

7. **Appointment of Compliance / Principal Officer:**

The company has a Senior Management officer to be designated as Principal Officer. Principal officer will be based in the Head Office of the company and will be responsible for monitoring and reporting of all transactions to the Government Authorities.

8. Maintenance and Preservation of Records:

Company will have 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

(i) In terms of PML Amendment Act 2012, company would maintain for at least five years from the date of transaction between the company 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.

(i) Company would ensure that records pertaining to the identification of the customers and their address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills, etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended as required under Government rules.

The identification of records and transaction data should be made available to the competent authorities upon request.

Conclusion :

Adhering to the KYC /PML guidelines issued by RBI and other Government

Agencies is very important not only for the company but the country as well. Violations can prove very costly for every one working in the company and therefore the provisions of KYC and PML shall be followed without fail .

Annexure

Customer Identification Procedure

Documents that may be obtained from customers.

Customers / Clients	Documents (Certified copy of any one of the following officially valid documents)
Accounts of Individuals Proof of Identity	Any one document from the Officially Valid Document is only allowed. They are: (i) Passport **(ii)** PAN card **(iii)** Voter's Identity Card issued by Election Commission '(fv) 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. Where 'simplified measures' are applied for verifying the identity of customers the following documents shall be deemed to be 'officially valid documents: identity card with applicant's Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions; letter issued by a gazetted officer, with a duly attested photograph of the person. Where 'simplified measures' are applied for verifying for the limited purpose of proof of address the following additional documents

	are deemed to be OVDs :. i. Utility bill which is not more than two months old of any service provider (electricity, telephone, postpaid mobile phone, piped gas, water **bill);** ii. Property or Municipal Tax receipt; iii Bank account or Post Office savings bank account statement; iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, Public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official ,_, accommodation; and iii. Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.
Accounts of Companies	(a) Certificate of incorporation; (b) Memorandum and Articles of Association; (c) A resolution from the Board of Directors and power of attorney granted to managers, officers or employees to transact on its behalf; and (d) An officially valid document in respect of

	managers, officers or employees holding an attorney to transact on its behalf.
Accounts of Partnership firms	(a) Registration certificate; (b) Partnership deed; and (c) An officially valid document in respect of the person holding an attorney to transact on its behalf.
Accounts of Trusts and Foundations	a) Registration certificate (b) Trust deed; and (c) An officially valid document in respect of the person holding a power of attorney to transact on its behalf
Accounts of unincorporated association or a body of individuals	(a) Resolution of the managing body of such association or body of individuals; (b) Power of attorney granted to him to transact on its behalf; (c) An officially valid document in respect of the person holding an attorney to transact on its behalf; and (d) Such information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals.
Accounts of Proprietorship Concerns	Apart from Customer identification procedure as applicable to the proprietor any two of the Proof of the name, address following documents in the name of the and activity of the concern proprietary concern would suffice

	S Registration certificate (in the case of a registered concern) S Certificate/licence issued by the Municipal authorities under Shop&Establishment Act S Sales and income tax returns S CST/VAT S certificate Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities S Licence/certificate the name of the proprietary concern by any professional body incorporate under a statute. The complete Income Tax return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, In cases where the banks are satisfied that it 'is not possible to furnish two such documents, they would have the discretion to accept only one of those documents as activity proof In such cases, the banks, however, would have to undertake contact point verification, collect such information as would be required to establish the existence of such firm, confirm, clarify and satisfy themselves that the business activity has been verified from the address to the proprietary concern,

Annex

Operational Procedure to be followed by RFL for e-KYC exercise

The e-KYC service of the UIDAI is be leveraged by the Company through a secured network. The company interested in using the UIDAI e-KYC service is required to sign an agreement with the UIDA!. The process flow to be followed is as follows:

1. Sign KYC User Agency (KUA) agreement with UIDAI to enable the RFL to specifically access e-KYC service.
2. RFL to deploy hardware and software for deployment of e-KYC service across various delivery channels. These should be Standardization Testing and Quality Certification (STQC) Institute, Department of Electronics & Information Technology, Government of India certified biometric scanners at Company's office / branches as per UIDAI standards.
3. Develop a software application to enable use of e-KYC across various Company's office and branches, as per UIDAI defined Application Programming Interface (API) protocols. For this purpose, Company will have to develop their own software under the broad guidelines of UIDAI.
4. Define a procedure for obtaining customer authorization to UIDAI for sharing e-KYC data with the Company . This authorization can be in physical (by way of a written explicit consent authorizing UIDAI to share his/ her Aadhaar data with the RFL for the purpose of opening deposit account) / **electronic** form as defined by UIDAI from time to time.
5. Sample process flow would be as follows :

   a. Customer walks into the office of Company with **his / her 12-digit Aadhaar** number and explicit consent and requests to open an account with

Aadhaar based e-KYC .

b. Company's representative enters the number into Company's e- KYC application software.

c. The customer inputs his / her biometrics via a UIDAI compliant biometric reader (e.g. fingerprints on a biometric reader).

d. The software application captures the Aadhaar number along with biometric data, encrypts this data and sends it to UIDAI's Central Identities Data Repository (CIDR).

e. The Aadhaar KYC service authenticates customer data. If the Aadhaar number does not match with the biometrics, UIDAI server responds with an

. error with various reason codes depending on type of error (as defined by UIDAI).

f. If the Aadhaar number matches with the biometrics, UIDAI responds with digitally signed and encrypted demographic information [Name, year/ date of birth, Gender, Address, Phone and email (if available)] and photograph. This information is captured by Company's e-KYC application and processed as needed.

g. Company 's servers auto populate the demographic data and photograph in relevant fields. It also records the full audit trail of e-KYC viz. source of information, digital signatures, reference number, original request generation number, machine ID for device used to generate the request, date and time stamp with full trail of message routing, UIDAI encryption date and time stamp, NBFCs decryption date and time stamp, etc.

h. The photograph and demographics of the customer can be seen on the screen of computer at Company's office for reference.

i. The customer can open account subject to satisfying other account opening requirements.