



खुशियां आपकी साथ हमारा....

MENTOR HOME LOANS INDIA LTD.

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

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

(The Policy is formulated as per directive of NHB/RBI)

1. INTRODUCTION

The National Housing Bank (NHB) has issued guidelines on ‘Know Your Customer (KYC) – Anti Money Laundering Standard, wherein the Housing Finance Companies (HFCs) are advised to follow certain customer identification procedure and monitoring of suspicious transactions for reporting to the appropriate authority. Further, NHB also advised the HFCs to put in place a proper policy frame work on KYC & AML duly approved by their Board of Directors.

This policy on “KNOW YOUR CUSTOMER (KYC) norms and ANTI MONEY LAUNDERING (AML) measures” of Mentor Home Loans India Limited (MHLIL) has been prepared in accordance with the prevailing guidelines and various circulars issued by National Housing Bank (NHB/RBI), which shall enable the Company to know/understand its customers and their financial dealings better which in turn will help it to carry out its lending / credit operations and manage its risks, prudently and prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities.

The policy has the following four key elements:

- (i) Customer Acceptance Policy;
- (ii) Customer Identification Procedures;
- (iii) Monitoring of Transactions;
- (iv) Risk management.

2. MONEY LAUNDERING AND TERRORIST FINANCING RISK ASSESSMENT BY Res:

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

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- (b) The risk assessment by MHLIL shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the MHLIL. Further, the periodicity of risk assessment exercise shall be determined by the Board of the MHLIL, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.
- (c) The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.
- (d) MHLIL 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, MHLIL shall monitor the implementation of the controls and enhance them if necessary.

3. POLICY FUNDAMENTALS AND DEFINITION

- a. For the purpose of KYC Guidelines, a “customer” shall be defined as:
 - i. A person or entity that maintains an account and/or has a business relationship with the Company.
 - ii. One on whose behalf the account is maintained (i.e. the beneficial owner);
 - iii. Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Company Secretaries, Chartered Accountants, Solicitors etc. as permitted under the law, and
 - iv. Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company, say a wire transfer or issue of a high value demand draft as a single transaction.
- b. “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.
- c. **Beneficial Owner (BO)**
 - a. Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

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1. “Controlling ownership interest” means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the company.
2. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
- b. Where the **customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10 percent of capital or profits of the partnership.
- 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 percent of the property or capital or profits of the unincorporated association or body of individuals.

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

- d. Where the customer is a **trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent 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.
- d. **“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.
- e. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner.
- f. **“Customer identification”** means undertaking the process of CDD.
- g. **“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 and shall include, the Managing Director or a whole-time Director, duly authorized by the Board of Directors.

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

- h. **“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 MHLIL as per the provisions contained in the Act.
- i. **“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.
- j. **“Non-face-to-face customers”** means customers who open accounts without visiting the branch/offices of the Res or meeting the officials of MHLIL.
- k. **“Officially valid document” (OVD)** is defined to mean 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

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institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

- c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above.
- d. where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

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

- i. "On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customer's profile and source of funds.
- m. "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.
- n. "Politically Exposed Persons" (PEPs)** are individuals who are or have been entrusted with prominent public functions by a foreign country, including the Heads of States/Governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations and important political party officials.
- o. "Principal Officer"** means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.
- p. "Regulated Entities" (Res)** refers to a financial institution or any other entity, regulated by the RBI.
- q. "Suspicious transaction"** means a transaction including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:

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

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

- r. **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 MHLIL 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.

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

4. COMPLIANCE OF KYC POLICY

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

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

5. DESIGNATED DIRECTOR

MHLIL has appointed its Managing Director as the Designated Director. The Designated Director is located at our Head Office and will be responsible for ensuring overall compliance with the obligations imposed under Chapter IV of the Prevention of Money Laundering Act, 2002.

6. APPOINTMENT OF PRINCIPAL OFFICER

MHLIL has designated Chief Operating Officer as the Principal Officer. Principal Officer is located at our Head Office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, HFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

Role and responsibilities of the Principal Officer:

- 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 thereunder, as amended from time to time.
- timely submission of CTR, STR and reporting of counterfeit notes and all transactions involving receipts by non-profit organisations of value more than Rupees Ten Lakh or its equivalent in foreign currency to FIU-IND.
- With a view to enabling the Principal Officer to discharge his responsibilities effectively, the Principal Officer and other appropriate staff should have timely access to customer identification data and other ODD information, transaction records and other relevant information.

7. CUSTOMER ACCEPTANCE POLICY (CAP)

MHLIL shall frame a Customer Acceptance Policy. Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, MHLIL shall ensure that:

- (a) No account is opened in anonymous or fictitious/benami name.
- (b) No account is opened where the MHLIL is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- (c) No transaction or account-based relationship is undertaken without following the CDD procedure.

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- (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (e) Additional information, where such information requirement has not been specified in the internal KYC Policy of the MHLIL, is obtained with the explicit consent of the customer.
- (f) If an existing KYC compliant customer of MHLIL desires to open another account with the same MHLIL, there shall be no need for a fresh CDD exercise.
- (g) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (h) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- (i) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions circulated by Reserve Bank of India.
- (j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- (k) Where an equivalent e-document is obtained from the customer, MHLIL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- (l) Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

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

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

8. RISK MANAGEMENT

For Risk Management, MHLIL shall have a risk-based approach which includes the following:

- (a) Customers shall be categorised as low, medium and high-risk category, based on the assessment and risk perception of the MHLIL.
- (b) Broad principles may be laid down by the MHLIL for risk-categorisation of customers.
- (c) Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the customer's business and their location, geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions, etc. While

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considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

- (d) The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

9. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

MHLIL shall undertake identification of customers in the following cases:

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

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

- (a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- (b) Adequate steps are taken by MHLIL to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- (c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- (d) The third party shall not be based in a country or jurisdiction assessed as high risk.

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- (e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the MHLIL.

10. CUSTOMER DUE DILIGENCE (CDD) PROCEDURE

(I) CDD Procedures in case of Individuals:

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

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

Provided that where the customer has submitted,

- i. Aadhaar number under clause (a) above as per first proviso to sub-section (1) of section 11A of the PML Act, MHLIL shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the MHLIL.
- ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, MHLIL shall carry out offline verification.
- iii) an equivalent e-document of any OVD, the MHLIL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of

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2000) and any rules issued thereunder and take a live photo as specified under **Annex-I**.

- iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the MHLIL shall carry out verification through digital KYC as specified under **Annex-I**.
- v) KYC Identifier under clause (ac) above, the MHLIL shall retrieve the KYC records online from the CKYCR in accordance with Section 56.

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

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

MHLIL shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the MHLIL and shall be available for supervisory review.

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

- ii. There must be a specific consent from the customer for authentication through OTP.
- iii. As a risk-mitigating measure for such accounts, MHLIL shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. MHLIL shall have a board approved policy delineating a robust process of due diligence for dealing with requests for change of mobile number in such accounts.
- iv. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-

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face-to-face mode with any other Regulated Entity (RE). Further, while uploading KYC information to CKYCR, MHLIL shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face to-face mode.

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

MHLIL may undertake V-CIP to carry out:

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

Provided that in case of CDD of a proprietorship firm, MHLIL shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in Section 28 and Section 29, apart from undertaking CDD of the proprietor.

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

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

If MHLIL opts to undertake V-CIP, it has to adhere to the following minimum standards:

(a) V-CIP Infrastructure

- i) MHLIL should have complied with the RBI guidelines on minimum baseline cyber security and resilience framework for HFCs, as updated from time to time as well as other general guidelines on IT risks. The technology infrastructure should be housed in own premises of the MHLIL and the V-CIP connection and interaction shall necessarily originate from its own secured network domain. Any technology related outsourcing for the process should be compliant with relevant RBI guidelines. Where cloud deployment model is used, it shall be ensured that the ownership of data in such model rests with the MHLIL only and all the data including video recording is transferred to the MHLIL's exclusively owned / leased server(s) including cloud server, if any, immediately after the V-CIP process is completed and no data shall be retained by the cloud service provider or third-party technology provider assisting the V-CIP of the MHLIL.
- ii) MHLIL shall ensure end-to-end encryption of data between customer device and the hosting point of the V-CIP application, as per appropriate encryption standards. The customer consent should be recorded in an auditable and alteration proof manner.

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- iii) The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.
- iv) The video recordings should contain the live GPS co-ordinates (geo-tagging) of the customer undertaking the V-CIP and date-time stamp. The quality of the live video in the V-CIP shall be adequate to allow identification of the customer beyond doubt.
- v) The application shall have components with face liveness / spoof detection as well as face matching technology with high degree of accuracy, even though the ultimate responsibility of any customer identification rests with the MHLIL. Appropriate artificial intelligence (AI) technology can be used to ensure that the V-CIP is robust.
- vi) Based on experience of detected / attempted / 'near-miss' cases of forged identity, the technology infrastructure including application software as well as work flows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber event under extant regulatory guidelines.
- vii) The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, Penetration testing and a Security Audit to ensure its robustness and end-to-end encryption capabilities. Any critical gap reported under this process shall be mitigated before rolling out its implementation. Such tests should be conducted by the empanelled auditors of Indian Computer Emergency Response Team (CERT-In). Such tests should also be carried out periodically in conformance to internal / regulatory guidelines.
- viii) The V-CIP application software and relevant APIs / webservices shall also undergo appropriate testing of functional, performance, maintenance strength before being used in live environment. Only after closure of any critical gap found during such tests, the application should be rolled out. Such tests shall also be carried out periodically in conformity with internal/ regulatory guidelines.

(b) V-CIP Procedure

- i) Each RE shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of the MHLIL specially trained for this purpose. The official should be capable to carry out liveness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon it.
- ii) Disruption of any sort including pausing of video, reconnecting calls, etc., should not result in creation of multiple video files. If pause or disruption is not leading to the creation of multiple files, then there is no need to initiate a fresh session by the RE. However, in case of call drop / disconnection, fresh session shall be initiated.

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- iii) The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.
- iv) Any prompting observed at end of customer shall lead to rejection of the account opening process.
- v) The fact of the V-CIP customer being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of work-flow.
- vi) The authorised official of the MHLIL performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:
 - a) OTP based Aadhaar e-KYC authentication
 - b) Offline Verification of Aadhaar for identification
 - c) KYC records downloaded from CKYCR, in accordance with Section 56, using the KYC identifier provided by the customer
 - d) Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through DigiLocker.

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

In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than three working days from the date of carrying out V-CIP.

Further, in line with the prescribed period of three days for usage of Aadhaar XML file / Aadhaar QR code, MHLIL shall ensure that the video process of the V-CIP is undertaken within three working days of downloading / obtaining the identification information through CKYCR / Aadhaar authentication / equivalent e-document, if in the rare cases, the entire process cannot be completed at one go or seamlessly. However, MHLIL shall ensure that no incremental risk is added due to this.

- vii) If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.
- viii) MHLIL shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority including through DigiLocker.

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- ix) Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.
- x) The authorised official of the MHLIL shall ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.
- xi) Assisted V-CIP shall be permissible when HFCs take help of Business Correspondents (BCs) facilitating the process only at the customer end. HFCs shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the HFC.
- xii) All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.
- xiii) All matters not specified under the paragraph but required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the MHLIL.

(c) V-CIP Records and Data Management

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

(II) CDD Measures for Sole Proprietary firms

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

In addition to the above, any two of the following documents or the equivalent e-documents there of as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- (a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government
- (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act
- (c) Sales and income tax returns
- (d) CST/VAT/ GST certificate

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- (e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities
- (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute
- (g) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities
- (h) Utility bills such as electricity, water, landline telephone bills, etc.

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

Provided MHLIL undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

(III) CDD Measures for Legal Entities

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

- (a) Certificate of incorporation
- (b) Memorandum and Articles of Association
- (c) Permanent Account Number of the company
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- (e) Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf
- (f) the names of the relevant persons holding senior management position; and
- (g) the registered office and the principal place of its business, if it is different.

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

- (a) Registration certificate
- (b) Partnership deed
- (c) Permanent Account Number of the partnership firm
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- (e) the names of all the partners and

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- (f) address of the registered office, and the principal place of its business, if it is different.

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

- (a) Registration certificate
- (b) Trust deed
- (c) Permanent Account Number or Form No.60 of the trust
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- (e) the names of the beneficiaries, trustees, settlor and authors of the trust
- (f) the address of the registered office of the trust; and
- (g) list of trustees and documents, as specified in Section 16, for those discharging the role as trustee and authorised to transact on behalf of the trust.

For opening an account of **an unincorporated association or a body of individuals**, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Resolution of the managing body of such association or body of individuals
- (b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- (c) Power of attorney granted to transact on its behalf
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
- (e) Such information as may be required by the MHLIL to collectively establish the legal existence of such an association or body of individuals.

Explanation: Unregistered trusts/partnership firms shall be included under the term ‘unincorporated association’.

Explanation: Term ‘body of individuals’ includes societies.

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

- (a) Document showing name of the person authorised to act on behalf of the entity

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

(IV) CDD Measures for Identification of Beneficial Owner

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

- (a) Where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) it is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.
- (b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

ONGOING DUE DILIGENCE

MHLIL 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.

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

- (a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- (c) High account turnover inconsistent with the size of the balance maintained.
- (d) Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

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

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The extent of monitoring shall be aligned with the risk category of the customer.

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

- (a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.
- (b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.

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

UPDATION/ PERIODIC UPDATION OF KYC

MHLIL shall adopt a risk-based approach for periodic updation of KYC. However, periodic updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low-risk customers from the date of opening of the account / last KYC updation. Policy in this regard shall be documented as part of MHLIL's internal KYC policy duly approved by the Board of Directors of MHLIL or any committee of the Board to which power has been delegated.

A) Individuals:

- vii. **No change in KYC information:** In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the MHLIL, customer's mobile number registered with the MHLIL, ATMs, digital channels (such as online banking / internet banking, mobile application of MHLIL), letter, etc.
- ii. **Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the MHLIL, customer's mobile number registered with the MHLIL, ATMs, digital channels (such as online banking / internet banking, mobile application of MHLIL), letter, etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc.

Further, MHLIL, at their option, may obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, as defined in Section 3(a)(xiii), for the purpose of proof of address, declared by the customer at the time of periodic updation. Such requirement,

however, shall be clearly specified by the MHLIL in their internal KYC policy duly approved by the Board of Directors of MHLIL or any committee of the Board to which power has been delegated.

iii. Accounts of customers, who were minor at the time of opening account, on their becoming major: In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the MHLIL. Wherever required, MHLIL may carry out fresh KYC of such customers i.e., customers for whom account was opened when they were minor, on their becoming a major.

viii. Aadhaar OTP based e-KYC in non-face to face mode may be used for periodic updation. To clarify, conditions stipulated in Section 17 are not applicable in case of updation / periodic updation of KYC through Aadhaar OTP based e-KYC in non-face to face mode.

Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. MHLIL shall ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer's profile, in order to prevent any fraud.

ix. **Customers other than individuals:**

x. **No change in KYC information:** In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the MHLIL, ATMs, digital channels (such as online banking / internet banking, mobile application of MHLIL), letter from an official authorized by the LE in this regard, board resolution, etc. Further, MHLIL shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible. \

ii. Change in KYC information: In case of change in KYC information, MHLIL shall undertake the KYC process equivalent to that applicable for onboarding a new LE customer.

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

i. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the MHLIL are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the MHLIL has expired at the time of periodic updation of KYC, MHLIL shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.

ii. Customer's PAN details, if available with the MHLIL, is verified from the database of the issuing authority at the time of periodic updation of KYC.

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

xi. In order to ensure customer convenience, MHLIL 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 MHLIL or any committee of the Board to which power has been delegated.

xii. MHLIL shall adopt a risk-based approach with respect to periodic updation of KYC. Any additional and exceptional measures, which otherwise are not mandated under the above instructions, adopted by the MHLIL such as requirement of obtaining recent photograph, requirement of physical presence of the customer, requirement of periodic updation of KYC only in the branch of the MHLIL where account is maintained, a more frequent periodicity of KYC updation than the minimum specified periodicity etc., shall be clearly specified in the internal KYC policy duly approved by the Board of Directors of MHLIL or any committee of the Board to which power has been delegated.

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

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

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

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

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

ENHANCED DUE DILIGENCE

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

- a) In case MHLIL has introduced the process of V-CIP, the same shall be provided as the first option to the customer for remote onboarding. It is reiterated that processes complying with prescribed standards and procedures for V-CIP shall be treated on par with face-to-face CIP.
- b) In order to prevent frauds, alternate mobile numbers shall not be linked post CDD with such accounts for transaction OTP, transaction updates, etc. Transactions shall be permitted only from the mobile number used for account opening. MHLIL shall have a Board approved policy delineating a robust process of due diligence for dealing with requests for change of registered mobile number.
- c) Apart from obtaining the current address proof, MHLIL shall verify the current address through positive confirmation before allowing operations in the account. Positive confirmation may be carried out by means such as address verification letter, contact point verification, deliverables, etc.
- d) MHLIL shall obtain PAN from the customer and the PAN shall be verified from the verification facility of the issuing authority.
- e) First transaction in such accounts shall be a credit from existing KYC-complied bank account of the customer.
- f) Such customers shall be categorized as high-risk customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP.

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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.

xiii. MHLIL shall have the option of establishing a relationship with PEPs provided that:

- (a) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- (b) the identity of the person shall have been verified before accepting the PEP as a customer;
- (c) the decision to open an account for a PEP is taken at a senior level in accordance with the MHLIL's Customer Acceptance Policy;
- (d) all such accounts are subjected to enhanced monitoring on an on-going basis;
- (e) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- (f) the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

B. These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

Client accounts opened by professional intermediaries

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

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

11. RECORD MANAGEMENT

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The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. MHLIL shall,

- (a) maintain all necessary records of transactions between the MHLIL and the customer, both domestic and international, for at least five years from the date of transaction;
- (b) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- (c) make available swiftly, the identification records and transaction data to the competent authorities upon request;
- (d) introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);
- (e) maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - (i) the nature of the transactions;
 - (ii) the amount of the transaction and the currency in which it was denominated;
 - (iii) the date on which the transaction was conducted; and
 - (iv) the parties to the transaction.
- (f) evolve 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;
- (g) maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

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

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

12. REPORTING REQUIREMENTS TO FINANCIAL INTELLIGENCE UNIT-INDIA

MHLIL shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in

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terms of Rule 7 thereof. A copy of such information shall be retained by the Principal Officer for the purposes of official record.

MHLIL has taken note of the reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports.

The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by MHLIL which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data.

The Principal Officers of MHLIL shall have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR which are available on FIU-IND website <http://fiuindia.gov.in>.

As per Rule 3 of the Rules Prevention of Money-Laundering (Maintenance of Records) Rules 2005, FHFL shall maintain a record of all transactions.

As per Rule 8 of the Prevention of Money-Laundering (Maintenance of Records) Rules 2005 following are the prescribes time limit for furnishing information to the Director, FIU-IND which are as follows.

For CTR - Monthly (if applicable) - 15th day of the succeeding month.

For STR (as and when applicable) - not later than seven working days on being satisfied that the transaction is suspicious.

MHLIL shall not put any restriction on operations in the accounts where an STR has been filed. MHLIL shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

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

13. REQUIREMENTS/ OBLIGATIONS UNDER INTERNATIONAL AGREEMENTS COMMUNICATIONS FROM INTERNATIONAL AGENCIES INTERNATIONAL AGENCIES INTERNATIONAL AGENCIES INTERNATIONAL AGENCIES

MHLIL shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having

terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

- (a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida is available at <https://scsanctions.un.org/ohz5jen-al-qaida.html>
- (b) The “Taliban Sanctions List”, which includes names of individuals and entities associated with the Taliban is available at <https://scsanctions.un.org/3ppp1en-taliban.htm>

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of. MHLIL shall list the details of accounts resembling any of the individuals/entities in the above lists and shall also be reported to FIU-IND apart from advising Ministry of Home Affairs.

14. OTHER INSTRUCTIONS

A. Secrecy Obligations and Sharing of Information:

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

B. Sharing KYC information with Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI) –

The Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the Central KYC Record Registry vide the Gazette Notification No. S.O. 3183(E) dated November 26, 2015. The Company shall capture the KYC information for sharing with the Central KYC Record Registry in the manner mentioned in the “Prevention of Money-Laundering (Maintenance of Records) Rules, 2005” (and

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amendments thereto), as required by the revised KYC templates prepared for individuals and non-individuals/legal entities, as the case may be.

The Company shall upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

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

MHLIL will adhere provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take adequate steps for complying with the reporting requirements as specified by Income Tax Department from time to time.

D. Selling Third party products

MHLIL will act as agents while selling third party products as per regulations in force from time to time and shall comply with the applicable law.

E. Hiring of Employees and Employee training

- (a) Adequate screening mechanism, including Know Your Employee / Staff policy, as an integral part of their personnel recruitment/hiring process shall be put in place.
- (b) MHLIL shall endeavour to ensure that the staff dealing with / being deployed for KYC/AML/ Combating of Financing of Terrorism (CFT) matters have: high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. MHLIL shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.
- (c) On-going employee training programme shall be put in place so that the members of staff are adequately trained in KYC/AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies of the RE, regulation and related issues shall be ensured.

F. Introduction of New Technologies

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MHLIL shall pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity, and take measures, if need, to prevent their use in money laundering schemes.

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

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

G. Wire Transfer

MHLIL shall follow the RBI guidelines from time to time while undertaking wire transfer transactions and shall comply with the applicable law.

15. APPLICABILITY TO BRANCHES AND SUBSIDIARIES OUTSIDE INDIA

The above guidelines shall also apply to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit as and when the Company opens overseas branches. When local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of National Housing Bank and RBI.

16. MODIFICATION OF POLICY

The Board of Directors/ Committee of the Company provide for periodical review of the compliance at various levels of management. A consolidate report of such reviews (if required) may be submitted to the Board/Committee at regular intervals, as may be prescribed by it.

The Company reserves to itself the right to alter/delete/add to these codes at any time without prior individual notice and such alterations /deletion/addition shall be binding.

Sd/-
Pawan Kumar Goyal
Managing Director

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ANNEX-I
DIGITAL KYC PROCESS

- A. MHLIL shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of the MHLIL.
- B. The access of the Application shall be controlled by the MHLIL and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by MHLIL to its authorized officials.
- C. The customer, for the purpose of KYC, shall visit the location of the authorized official of the MHLIL or vice-versa. The original OVD shall be in possession of the customer.
- D. MHLIL must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of the MHLIL shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by MHLIL) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- E. The Application of the MHLIL shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.
- F. Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.
- G. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- H. Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/eAadhaar downloaded from

UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.

- I. Once the above-mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with the MHLIL shall not be used for customer signature. The MHLIL must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.
- J. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with the MHLIL. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.
- K. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of the MHLIL, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.
- L. The authorized officer of the MHLIL shall check and verify that:- (i) information available in the picture of document is matching with the information entered by authorized officer in CAF. (ii) live photograph of the customer matches with the photo available in the document.; and (iii) all of the necessary details in CAF including mandatory field are filled properly.;
- M. On Successful verification, the CAF shall be digitally signed by authorized officer of the MHLIL who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.

-----*End of Document*-----

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