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## **1. Introduction**

This Document briefly addresses the salient features of 'Know Your Customer' (KYC) / Anti-Money Laundering ("KYC-AML") norms for IREP Capital Private Limited ("IREP"). Through this policy, IREP intends to set out necessary procedures in order to comply with applicable regulations and law.

## **2. Key Sources of Law**

The key regulations that form the framework of the KYC-AML norms applicable to IREP are:

- (i) The Prevention of Money Laundering Act, 2002 ("PMLA Act") , regulations issued there under and amendments issued from time to time;
- (ii) The Prevention of Money Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (the "PMLA Rules") and amendments issued from time to time;
- (iii) Master Circular – 'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards (AML) -'Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified thereunder' dated July 1, 2015

IREP will update the policy and follow the extant guidelines as applicable from time to time.

## **3. Responsibility**

The Board of Directors of IREP will designate an officer for the purpose of ensuring compliance to the guidelines. The Designated Director / Principal Officer will be any person as defined under the regulatory guidelines or any other applicable law.

The Business Team along with the Onboarded Partner (wherever applicable) shall be responsible for the purpose of ensuring compliance to the policy.

## **4. KYC Procedures**

### **(i) Definition of Customer**

- For the purpose of this policy, a "customer" means any person, as defined in the RBI's Guidelines on 'Know Your Customer' norms and Anti-Money Laundering Measures, as amended from time to time.
- A "beneficial owner" ("BO") in relation to a customer is a person or an entity who is to be considered a beneficiary of the financial transaction entered in to with IREP by the Customer. A list of persons who are to be considered as such BOs in relation to a Customer is given below:

Type of Customer	Persons to be considered Beneficial Owners (BOs)
Public / Private Limited Companies	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company; or</p> <p>b) A natural person having, whether alone or together, or through one or more juridical person, 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; or</p> <p>c) Where none of the above is been identified – a natural person who holds the position of senior managing official.</p>
Partnership Firm	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of capital or profits of the partnership; or</p> <p>b) Where the above is not been identified – a natural person who holds the position of senior managing official</p>
Unincorporated association of persons or body of individuals	<p>a) A natural person having, whether alone or together, or through one or more juridical person, ownership of/ entitlement to more than fifteen percent of property or capital or profits of such association or body of individuals; or</p> <p>b) Where the above is not been identified – a natural person who holds the position of senior managing official</p>
Trust/ Foundation	<p>a) The Author of the trust; or</p> <p>b) The Trustees of the trust; or</p> <p>c) The Beneficiaries of the trust with fifteen percent or more interest in the trust; or</p> <p>d) A natural person exercising ultimate effective control over the trust through a chain of control or ownership</p>
Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.	

(ii) Customer Identification Procedure

- IREP has in place a Board approved KYC Policy that clearly spells out the Customer Identification Procedure to be carried out at the time of establishing a lending relationship.
- IREP also would obtain the KYC documents whenever there is doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data. IREP will collect and maintain Officially valid document (OVD) (as defined under the RBI Guidelines) wherever found necessary

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- If Aadhaar card is taken as KYC, IREP would satisfy itself about current address by obtaining required proof. IREP also would have the process of allotting Unique Customer Identification Code (UCIC) for easy identification of all the relationships of any customer with IREP.
- Information collected for the purpose of opening of a lending relationship would be kept confidential and would not be divulged to outsiders for cross selling or any other purpose other than for the statutory requirement of sharing the customer account details with at least one credit information agency approved by RBI.
- Information sought from the customer would be relevant to the perceived risk and would not be intrusive.

(iii) Customer Acceptance Policy

- IREP shall not undertake any transaction with entity that has fictitious/ benami name(s).
- All the customers would be classified under two heads viz. Low Risk and Medium/High Risk.
  - The Low Risk customers would be the Individuals (other than High Net Worth Individuals with NW of not over Rs.100 lacs) and entities whose identities and sources of wealth can be easily identified and transactions in whose a lending relationship by and large conform to the known profile (salaried employees, people belonging to lower economic strata)
  - High/Medium Risk customers would include (a) non-resident customers, (b) high net worth individuals (NW exceeding Rs.100 lacs), (c) trusts, charities, NGOs and organizations receiving donations, (d) companies having close family shareholding or beneficial ownership, (e) firms with 'sleeping partners', (f) politically exposed persons (PEPs), (g) non-face to face customers and (h) those with dubious reputation as per public information available, etc.
- PEPs - prominent public figures of foreign country (Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.) would be subjected to enhanced Customer Due Diligence (CDD) and such customers would be permitted at least at a level higher than what is otherwise permitted to approve the lending relationship. Close relative of PEP also would be treated at par with PEP
- In the case of proprietorship firms, in addition to the proprietor's ID, the firm's ID (business proof) also would be obtained at least through two documents such as ITR, Import/Export Code/Utility bill/Permit by local authority etc.
- In the case of firms reconstituted and the companies that changed the name within the past two years, the CDD would be enhanced.
- For all the customers irrespective of the risk categorization, IREP would undertake following customer acceptance procedure without fail:
  - Checking the internal records of IREP to confirm about any past dealings of the customer with IREP either as borrower, co-borrower or guarantor;
  - Verifying with the data base maintained by at least one RBI approved credit information bureau;

- Field investigation of customer's residence and office. Neighborhood check;
- Trade reference check in the case of commercial lending;
- Tele verification with the customer and underwriting;
- Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued by Reserve Bank from time to time.
- IREP shall not start or close a business transaction where IREP is unable to apply appropriate customer due diligence measures i.e. IREP is unable to verify the identity and /or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished to IREP. It may, however, be necessary to have suitable built in safeguards to avoid harassment of the customer.
- The identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations etc., as approved by the Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs).
- If an existing KYC compliant customer desires to open another lending relationship, there would be no need for submission of fresh proof of identity and/or proof of address for the purpose.

(iv) Risk Management

The following elements of IREP would manage the Risk arising out of the non-compliance to PMLA

- Board would ensure that an effective KYC program is put in place by establishing appropriate procedures and ensure their effective implementation;
- Risk categorization of customers shall be undertaken on the basis of various factors, such as nature of employment, business activity of the customer, location of customer and his/its clients, mode of payments, volume of turnover, social / financial status and credit history.
- Internal audit, compliance function would evaluate and ensure adherence to the KYC policies and procedures and provide independent evaluation of IREP's own policies and procedures, including legal and regulatory requirements. Concurrent/ Internal Auditors should specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard would be put up before the Board on quarterly basis;
- IREP would have an on-going employee training program with different focuses for frontline staff, compliance staff and staff dealing with new customers and educating them with respect to the objectives of the KYC Program.
- The risk categorization would be reviewed on real time basis based on the Collection feedback and enhanced due diligence measures would be applied in case of higher risk perception on a customer.

- Periodical updating of customer identification data would be taken up once in eight years for Low/medium risk customers and once in two years for high risk customers. For low risk customers the updating would be only through a self-certification by the customer in cases where there is no change in the status with respect to their identities and addresses. In case of change of address of such 'low risk' customers, they would be merely asked to submit a certified copy of the document (proof of address) in any manner by mail/post, etc.
- All the units reporting the unusual transactions to Principal Officer (PO) – PMLA would be subjected to audit
- A senior management officer would be designated as the Principal Officer – PMLA and would report to senior management and the Principal Officer – PMLA would have staff to verify KYC/AML compliance. The Principal Officer – PMLA would perform the following duties
  - Develop effective AML programs, including training programs
  - Assist business in assessing how the System can be abused
  - Identify suspicious activity
  - Monitor implementation of AML policy
  - Submit reports to statutory bodies, management and maintain liaison

#### **5. Important provisions under PMLA**

- The offense of money laundering is defined as “Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering”
- Punishment for Money Laundering is laid down as “whoever commits the offense of money laundering shall be punishable with rigorous imprisonment for a term which shall not be less than three years but may extend to seven years and shall also be liable to fine which may extend to five lakh rupees”.
- Every banking company or financial institution and intermediary or a person carrying on designated business or profession (hereinafter “reporting enterprise”) is required to:
  - Maintain a record of all transactions the nature and value of which may be prescribed, whether such transaction comprise of a single transaction or series of transactions integrally connected to each other and where such series of transactions take place within a month.
  - Furnish information of transactions referred to in the clause above to the Director (FIU IND) within such time as may be prescribed.
  - Verify and maintain records of the identity of all its clients, in such a manner as may be prescribed.
  - Identify beneficial owner, if any, of such of its clients, as may be prescribed.
  - Maintain record of documents evidencing identity of its clients and beneficial owners as well as lending relationship files and business correspondence relating to its clients.

- Where the Principal Officer of a banking company or financial institution or intermediary, as the case may be, has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of this section, such officer shall furnish information in respect of such transactions to the Director-FIU IND within the prescribed time.
- The records referred to above shall be maintained for a period of ten years from the cessation of the transactions between the clients and the banking company of financial institution or intermediary, as the case may be. However, details furnished to Director FIU-IND, documents related to identity and beneficial owner of the client shall be maintained permanently.
- The reporting entities also would have “Designated Director” designated by the reporting entity to ensure overall compliance with the obligations imposed under chapter IV of the Act and the Rules thereof. The designated director can be any one of the Managing Director or a whole-time Director or a person who holds the position of senior management (One level below the Board) or equivalent, duly authorized by the Board of Directors of IREP. However, in no case, the principal officer shall be nominated as the “Designated Director” for the purpose of this Policy.
- The Director-FIU IND may whether on his own or on an application made by an authority, officer or person call for records referred to above and may make such inquiry or cause such inquiry to be made, as he thinks fit, with respect to obligations of the reporting entity.
- If the Director-FIU IND, in the course of any inquiry, finds that a banking company, financial institution or intermediary or any of its officers has failed to comply with the provisions for maintenance of records, furnishing of information, verification of identity of customers etc., then without prejudice to any other action that may be taken under any other provisions of PMLA, Director – FIU-IND may, by an order, levy a fine on such banking company or financial institution or intermediary which shall not be less than ten thousand rupees but may extent to one lakh rupees for each failure.
- Reporting To Financial Intelligence Unit - India  
 In terms of the PMLA rules, IREP will report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:  
 Director, FIU-IND,  
 Financial Intelligence Unit-India,  
 6<sup>th</sup> Floor, Hotel Samrat,  
 Chanakyapuri,  
 New Delhi-110021
- IREP should ensure reporting of formats prescribed herein below viz:
  - (i) Manual reporting of cash transactions
  - (ii) Manual reporting of suspicious transactions
  - (iii) Consolidated reporting of cash transactions by Principal Officer
  - (iv) Electronic data structure for cash transaction reporting and
  - (v) Electronic data structure for suspicious transaction reporting.

## **6. Record and Retention**

IREP has a laid down Document retention policy which would be reviewed periodically to be in compliance to the requirements of PMLA. The following documents/ records would be held for a period of 10 years:

- Records with respect to transactions where counterfeit currency notes have been used
- Records with respect to all suspicious transactions
- KYC documents after the business relationship ending.

The documents/ records maintained would hold the following information

- Nature of transaction;
- Amount of the transaction;
- Date on which the transaction was conducted; and
- The parties to the transaction;

## **7. Other Requirements**

- All the relevant terms under the policy shall derive its meaning / definition from the RBI guidelines as applicable from time to time
- All other requirements under FATCA/CRS/PML/FIU-Ind relating to appointment of designated officer/director, principal officer and reporting requirements relating to filing of Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to IREP
- Any non-compliance to the policy will be reported to the Senior Management or Designated Officer as authorized by the Board for the compliance to the applicable regulations
- All the formats / annexures / appendixes as required for the compliance to the policy will be as per the guidelines issued by RBI from time to time

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