



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

Sl. No.	Particulars	Details
1.	Owner Department of the Policy	Operations Department
2.	Version No.	Version – 11
3.	Validity of the Policy	Till next revision
4.	Periodicity of Review	On annual basis
5.	Last Review Date	15-12-2025

Contents

Process for Modification/Revision in KYC/AML Policy.....	2
Omnibus Clause	2
Preamble and Background.....	2
Objective	2
Scope and Effective Date.....	2
Key Elements of KYC Policy	2
Responsibilities for Compliance of the KYC and AML Policy.....	2
Definition	2
Appointment of Principal Officer and Designated Director	2
Customer Acceptance Policy	2
Risk Management.....	2
Customer Identification Procedure (CIP).....	2
Customer Due Diligence (CDD)	2
Enhanced Due Diligence (EDD)	2
On-going Due Diligence and Periodic updation of KYC	2
Maintenance & Preservation of Records of Transactions.....	2
Monitoring and Reporting to Financial Intelligence Unit - India	2
Screening and Requirements/Obligations under International Agreements.....	2
Secrecy Obligations and Sharing of Information	2
CDD Procedure and Sharing KYC Information with Central KYC Records Registry (CKYCR)..	2
Reporting Requirement Under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS).....	2
Recruitment & Training	2
Introduction of New Technologies.....	2
Reviews/Risk Assessment/Audit	2
Selling Third Party Products.....	2
Actions to be taken at Group Level	2
General Guidelines	2

Process for Modification/Revision in KYC/AML Policy

Particulars	Details
Process for Modification/Revision in KYC/AML Policy	Regulatory changes: The Committee headed by Managing Director & Chief Executive Officer ("MD & CEO") shall have the authority to carry out the changes in the KYC and AML Policy on account of regulatory developments. Such changes to the KYC and AML Policy shall be subsequently placed before the Board of Directors through the Audit Committee of Board (ACB). Other changes: Any changes other than those emanating from the regulatory requirements shall be carried out with the approval of the Board of Directors of CFHL.

Omnibus Clause

All extant & future master circulars/directions/ guidelines/ guidance notes issued/ which may be issued

All extant & future master circulars/directions/ guidelines/ guidance notes issued/ which may be issued by National Housing Bank ("**NHB**")/ Reserve Bank of India ("**RBI**") from time to time would be the guiding principles for the KYC and AML Policy of CFHL and shall supersede the contents of this KYC and AML Policy. This includes the following act, rules and the directions/ circulars:

Circular Ref. No.	Circular/ Act	Issue Date
DBR.AML.BC.No.81/14.01.001 /2015-16	The Reserve Bank of India {Know Your Customer (KYC)} Direction, 2016, as amended from time to time	February 25, 2016
DOR.FIN.HFC.CC.No.120/03.1 0.136/2020-21	The Non-Banking Financial Company- Housing Finance Company (Reserve Bank) Directions, 2021	February 17, 2021
ACT NO. 15 of 2003	Prevention of Money Laundering Act, 2002	July 1, 2005
-	Prevention of Money- Laundering (Maintenance of Records Rules), 2005 as amended from time to time	July 1, 2005

Know Your Customer and Anti-Money Laundering Policy

Preamble and Background

1. Can Fin Homes Ltd., ("**Company**" or "**CFHL**") has adopted "Know Your Customer (KYC) and Anti Money Laundering (AML) Policy" ("**KYC and AML Policy**" or "**Policy**") for Lending/ Credit/ Deposits/ Operations/ Financial dealings, in line with the extant guidelines laid down in the 'Reserve Bank of India {Know Your Customer (KYC)} Direction, 2016' ("**RBI KYC Directions**") issued and updated till January 04, 2024 by the Reserve Bank of India ("**RBI**"). The Policy is also in compliance with the PMLA and the PML Rules.
2. Money Laundering is a sophisticated act to cover up or camouflage the identity/ origin of illegally obtained earnings so that they appear to have been derived from lawful sources. It is the process by which illegal funds and assets are converted into legitimate funds and assets. It is the process through which proceeds emanating from a criminal activity are disguised to conceal their illicit origins and project as untainted.

There are three common stages of money laundering as detailed below which are resorted to by the launderers:

- **Placement**- The physical disposal of cash proceeds derived from illegal activity;
- **Layering**- Separating illicit proceeds from their source by creating complex layers of financial transactions designed to disguise the source of money, subvert the audit trail and create anonymity; and
- **Integration**- Creating the impression of apparent legitimacy to criminally derived wealth.

Objective

3. This Know Your Customer and Anti- Money Laundering Policy ("**KYC & AML Policy**") sets out to standardize KYC documentation across CFHL and establish governing principles, broad guidelines, and standards to be adopted by the Company in order to protect itself from being used by any person to launder money.
4. The major objectives of this Policy are as under:
 - a. To lay standard operating procedures with respect to KYC norms and AML requirements.
 - b. To ensure all necessary Customer Identification Procedures ("**CIP**") / Customer Due Diligence ("**CDD**")/ Enhanced Due Diligence ("**EDD**") measures are followed based on the risk factor associated with each Customer.
 - c. To protect the Company from being used intentionally or unintentionally by criminal elements for money laundering/ fraudulent/anti-social activities.
 - d. To enable the Company to know/understand their customers and their financial dealings better which, in turn, would help in managing the risks prudently.
 - e. To take appropriate action, once suspicious activities is detected, and make report to designated authorities in accordance with applicable law / laid down procedures.
 - f. To comply with applicable laws as well as norms adopted internationally with reference to Money Laundering.
5. The basic objective of the PMLA is three-fold, viz:

- a. To prevent, combat and control money laundering.
- b. To confiscate and seize the property obtained from the laundered money.
- c. To deal with any other issue connected with money laundering in India.

Scope and Effective Date

- 6. This KYC and AML policy is applicable to all the business/activities undertaken by CFHL across all Branches/Offices & shall be applicable for all new and existing customers of CFHL
- 7. This Policy has become effective from the date of its initial approval by the Board and any subsequent amendments shall become effective from the date of approval of such amendment by the Competent Authority. This Policy shall supersede all previous versions of the KYC & AML Policy. All employees of CFHL are responsible for ensuring the effective implementation of this Policy.

Key Elements of KYC Policy

- 8. The KYC and AML Policy includes the following four key elements:
 - a. Customer Acceptance Policy
 - b. Risk Management
 - c. Customer Identification Procedures (CIP) and
 - d. Monitoring of Transactions

Responsibilities for Compliance of the KYC and AML Policy

- 9. **The Board of Directors of the Company ("Board")** shall:
 - a. review and approve the Policy as and when required.
 - b. appoint the Designated Director.
 - c. delegate any authority for review, approval and implementation of the Policy.
- 10. **The Audit Committee of the Board ("ACB")** shall:
 - a. review audit findings and status of compliance with respect to the KYC and AML requirements.
 - b. review report on assessment of money laundering and terrorist financing risks.
 - c. guide the Company for managing money laundering and terrorist financing risks.
- 11. **The Senior Management of the Company** shall be responsible for the following:
 - a. Implementation of the KYC and AML Policy and related procedures.
 - b. Decision-making functions with respect to compliance with KYC norms are not outsourced.
 - c. To verify the compliance with KYC/AML policies and procedures through Concurrent/internal audit system.
 - d. Submission of quarterly audit notes and compliance to the Audit Committee

For this purpose, "Senior Management Team" comprises of the Managing Director & Chief Executive Officer, Deputy Managing Director, General Manager, Chief Risk Officer, Chief Compliance Officer, Department Heads and such other officials that the MD & CEO may determine from time to time depending upon their functional roles and responsibilities.

- 12. **The Designated Director-** The Designated Director appointed by the Board of Directors shall be responsible for overall compliance with the obligations prescribed by the PMLA and

the PML Rules. The Designated Director shall have the authority to consider, review, and approve various procedures required for the implementation of this Policy.

13. The Principal Officer- The Company shall designate one of its officials as the Principal Officer of the Company. The Principal Officer should have knowledge, sufficient independence, authority, time and resources to manage and mitigate the AML risks of the business. Key Responsibilities of the Principal Officer ("PO") shall be as under:

- a. The PO shall initiate amendments to the Policy based on latest applicable provisions of the PMLA, the PML Rules and RBI KYC Directions, as and when required.
- b. To ensure implementation of the KYC and AML policy and to consider, review and recommend various procedures which may be necessary for implementation of the Policy.
- c. The PO, with the assistance of relevant functions, shall put in place relevant procedures required for implementation of this Policy.
- d. To ensure reporting of transactions to the FIU-IND and/ or the RBI and sharing of the information as required under the applicable laws/ regulations.
- e. To ensure submission of periodical reports to the Board/ Risk Management Committee of the Board (RMCB).

14. Employees- The employees of the Company, while delivering their official responsibilities, shall be required to comply with this KYC and AML Policy and other procedures defined by the Company for implementation of the Policy.

Definition

15. The terms used and not defined in this Policy shall have the same meaning as have been assigned to them in the Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016, as amended from time to time.

15.1 "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.

15.2 "Designated Director" means Managing Director or a Whole-time Director, designated & duly authorized by the Board of Directors of the Company to ensure overall compliance with the obligations imposed under chapter IV of the PML Act.

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.

15.3 "Know Your Client (KYC) Identifier" means the unique number or code assigned to a customer by the Central KYC Records Registry.

15.4 "Officially Valid Document" (OVD) means the Passport, the Driving Licence, Proof of Possession of Aadhaar Number, the Voter's Identity Card issued by the Election Commission of India, Job Card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

- a. Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.

- b. Where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:
 - i. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill)
 - ii. Property or Municipal Tax Receipt;
 - iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - iv. Letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and 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.

15.6 "Principal Officer" means an officer at the management level nominated by the Company responsible for furnishing information as per rule 8 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 as amended from time to time

15.7 "Customer" – For the purpose of KYC policy, a "Customer" may be defined as:

- a. A person or entity that maintains an account and/or has a business relationship (engaged in financial transaction/activity) with the CFHL;
- b. One on whose behalf the account is maintained (i.e. the beneficial owner);
- c. Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law, and
- d. Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the CFHL, say, a wire transfer or issue of a high value demand draft as a single transaction.
- e. The DSA's/ Panel Advocates/ Valuers/ Professionals and other third party entities engaged by the Company in the course of business.

15.8 "Customer Due Diligence (CDD)" means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

Explanation- The CDD, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or any international money transfer operations, shall include:

- a. Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable;

- b. Taking reasonable steps to understand the nature of the customer's business, and its ownership and control;
- c. Determining whether a customer is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.

15.9 "Customer identification" means undertaking the process of CDD.

15.10 "On-going Due Diligence" means regular monitoring of transactions in accounts to ensure that those are consistent with Company's knowledge about the customers, customers' business and risk profile, the source of funds / wealth.

15.11 "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.

Appointment of Principal Officer and Designated Director

16. Designated Director: The Company has nominated the Managing Director, on the Board of the company as a Designated Director, as required under the provisions of the PML Rules, 2005 to ensure compliance with the obligations under the Act and Rules. The Designated Director shall oversee the compliance position of AML norms in the Company.

The name, designation and address of the Designated Director shall be communicated to the FIU-IND. Further, the name, designation, address and contact details of the Designated Director shall also be communicated to the RBI/ NHB. In no case, the Principal Officer shall be nominated as the 'Designated Director'.

17. Principal Officer: The Managing Director shall have authority to appoint a senior management officer, preferably of the level of General Manager/ Deputy General Manager as 'Principal Officer'. The name of the Principal Officer so designated, his designation and address including changes from time to time, shall be communicated to the Director, FIU-IND & also be communicated to the RBI. Principal Officer shall be located at the head/corporate office of the Company and shall be responsible for ensuring compliance, 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.

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 CDD information, transaction records and other relevant information.

The Principal Officer shall be the competent authority for fixing the thresholds for generation of AML alerts and the periodicity of reviewing the alerts shall be once in a year or as and when required.

Customer Acceptance Policy

18. CFHL shall ensure that:

- a. No account is opened/ loan granted or services are utilized in anonymous or fictitious/benami name(s);
- b. No account is opened/ loan granted or services are utilized where CFHL is unable to apply appropriate Customer Due Diligence (CDD) measures as defined as in this policy, either due to non-cooperation of the customer or non-reliability of the documents/ information furnished by the customer. Such instances shall be considered for filing an STR, if considered
- c. necessary, when relevant CDD measures pertaining to the customer could not be complied with.
- d. No transaction or account-based relationship is undertaken without following the CDD procedure.
- e. The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- f. If any, additional information is sought for KYC purpose and is not specified in the policy, it should be ensured that same are obtained with the explicit consent of the customer
- g. A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with customers (individual as well as non-individuals) as also the existing customers. CDD Procedure is followed at UCIC level for all the customers including borrowers, co-borrowers, guarantors, beneficial owners. If an existing KYC compliant customer of CFHL desires to avail another financial product of CFHL, no fresh KYC needs to be done for such Customer, provided such Customer is an existing Customer of CFHL as on the date of availing the fresh facility, viz. the previous loan facility is in force and subsisting. However, in such cases it must be ensured that all the KYC details of the customer are available in the respective Customer files and other necessary due diligence, wherever required, is carried out.
- h. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is as per KYC MD of RBI.
- i. No PWD customer shall be denied account opening, continuation of services or KYC updation or KYC updation solely by reason of disability.
- j. CFHL shall provide alternative modes of authentication, assistance and communication as needed by the PWD customer.
- k. Digital channels, branch services, BC assisted KYC, and onboarding platforms must be accessible and usable by PWDs
- l. Any automated KYC rejection for a PWD must be followed by a human review to ensure accessibility – related issues are considered.
- m. Digital KYC platform shall allow alternate authentication flows (Voice, fingerprints/iris, bypass of blink test) for PWDs where the standard process fails.
- n. 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 lists indicated in Chapter IX on Requirements/ obligations under International Agreements - Communications from International Agencies of the RBI KYC Directions.

- o. Permanent Account Number (PAN) shall be verified from the NSDL verification facility.
- p. Where an equivalent e-document is obtained from the customer, CFHL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- q. Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.
- r. Where, CFHL forms a suspicion of money laundering or terrorist financing, and reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file a suspicious transaction report ("**STR**") with FIU-IND.

Note – This is to be taken care that the adoption of Customer Acceptance Policy and its implementation should not become too restrictive and must not result in denial of CFHL services to public, especially to those, who are financially or socially disadvantaged.

Risk Management

19. Customers shall be categorised based on their KYC risk assessment and risk perception of CFHL. Broad principles have been laid down below for KYC risk-categorisation of customers. 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.

CFHL shall prepare a risk categorization for each new customer & existing customers based on the parameters such as customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, geographical risk covering customers as well as transactions, type of products, service offered, delivery of products/services, type of transaction undertaken cash, cheque/monetary instruments, wire transfers, forex transactions, etc

The nature and extent of due diligence will depend on the risk perceived by the CFHL. However, while preparing customer profile CFHL should take care to seek only such information from the customer which is relevant to the risk category and is not intrusive and is in conformity with the guidelines issued by NHB/ RBI in this regard. Any other information from the customer will be sought separately with his/her consent. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

20. Risk Categorisation

CFHL will classify its customers based on the below mentioned risk categories as defined by the RBI from time to time. The indicative list of Customer as Low Risk, Medium Risk and High Risk are as under:

- a. **Low Risk:** Ex Staff of the Company, Govt/Semi Govt Employees, Individuals, Pensioners, Proprietor ship concerns, Employees of Public Sector Companies, Co-operative Societies, Senior Citizens etc.
- b. **Medium Risk:** Small business enterprises like Pawn Shop, Auctioneers, Cash intensive Business as Restaurants, Retail shop, Garages, Sole Practitioners like Law firms, Notaries, Accountants, Bling persons, Purdahnashin ladies and Unregistered bodies.

c. High Risk: Customer conducting their Business or Transactions in unusual circumstances, customer based in High Risk Countries, Politically Exposed Persons, Non-resident Customers and Foreign nationals, High net worth Individuals, Firms with Sleeping Partners, Companies having close Family shareholders, Shell Companies, Trust, Charities, NGO's, NPO's, Customers engaged in Business which is associated with higher level of corruption, Customers dealing with real estate Business, Bullion dealers, Stock brokers, Non-face to face Customers and HUF's.

Customer Identification Procedure (CIP)

21. Customer identification means identifying the customer and seek such information requires to establish a relationship with a new customer. It shall be done as per the KYC Master Direction of RBI.

The primary objectives of CIP are:

- a. To verify the legal status of the customer/ entity through proper and relevant documents.
- b. To verify that any person purporting to act on behalf of the customer, legal person/entity is so authorized and to verify the identity of such an authorized person.
- c. To understand the ownership and control structure of the customer and determine who is the natural persons who ultimately has control over the management.

The CIP shall be undertaken in the following cases:

- a. At the time of commencement of an account-based relationship with the Loan/Deposit Customers.
- b. At the time of commencement of services from business associates (Direct Selling Agents/Deposit Agents/Advocates/Valuers/Field verification agencies etc.,)
- c. When there is a doubt about the authenticity or adequacy of the customer identification data.
- d. At the time of Selling third party products as agents, selling our own products and any other product for more than INR 50,000 (Rupees Fifty Thousand).
- e. Introduction shall not be sought while opening account.

Customer Due Diligence (CDD)

22. Customer Due Diligence ("CDD") means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification. It shall be done as per the KYC Master Direction of RBI.

Enhanced Due Diligence (EDD)

23. Enhanced Due Diligence for High-Risk Customers:

Enhanced Due Diligence ("EDD") for high-risk customers including Politically Exposed Person (PEPs) shall be done as per the KYC Master Direction of RBI.

On-going Due Diligence and Periodic updation of KYC

24. On-going Due Diligence: CFHL 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/ wealth.

A system of periodic review of risk categorisation of accounts at least once in six months, and the need for applying enhanced due diligence measures shall be put in place. CFHL shall ensure to provide acknowledgment with date of having performed KYC updation. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

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

25. Periodic updation of KYC – Company shall adopt a risk-based approach for periodic updation of KYC ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. Periodic KYC updation shall be carried out as below:

High risk customers: KYC should be updated every two years

Medium risk customers: KYC should be updated every eight years

Low risk customers: KYC should be updated every ten years

Process to conduct on-going Due Diligence:

25.1 For Individual Customers:

a. 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 CFHL, customer's mobile number registered with CFHL, digital channels, letter etc.

b. 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 CFHL, customer's mobile number registered with CFHL, digital channels, 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 or such other methods as may be deemed appropriate. Further, CFHL shall obtain a copy of OVD or deemed OVD or the equivalent e-documents thereof, for the purpose of proof of address, declared by the customer at the time of periodic updation.

c. 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 CFHL. Wherever required, CFHL shall carry out fresh KYC of such customers i.e., customers for whom account was opened when they were minor, on their becoming a major.

Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. CFHL 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.

****INTIMATIONS ON KYC UPDATES**

CFHL must issue three advance intimations (including at least one by physical letter) before the due date of periodic KYC updation, and three reminders (including at least one by letter) after the due date if the customer hasn't complied.

All such communications must be recorded (for audit trail) in the CFHL system.

Note:

- 1.) Company shall adopt to organise camps, intensive drives, special camps in branches with large pendency.
- 2.) The Company shall facilitate a system provision to update customers KYC information/records based on the updates notifications received from CKYCR, in line with the regulatory guidelines prescribed by the RBI.
- 3.) Such updates shall be reconciled on a daily basis, and the information received from CKYCR shall be duly verified against the Company's internal records to ensure accuracy and completeness. Any discrepancy observed during the reconciliation process shall be promptly reviewed and rectified in accordance with the prescribed due diligence procedures.

25.2 Customers other than individuals:

- a. **No change in KYC information:** In case of no change in the KYC information of the customer being a non-individual entity, a self-declaration in this regard shall be obtained from the non-individual entity through its email-id registered with CFHL, digital channels, letter from an official authorized by the non-individual entity in this regard, board resolution etc. Further, CFHL shall ensure during this process that Beneficial Ownership information available with CFHL is accurate and updated at the time of periodic updation.
- b. **Change in KYC information:** In case of change in KYC information, CFHL shall undertake the KYC process equivalent to that applicable for on-boarding a new non-individual customer.

Maintenance & Preservation of Records of Transactions

26. The Company shall maintain & preserve the data and records of transactions as per the KYC Master Direction of RBI and Rule 3 of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

Monitoring and Reporting to Financial Intelligence Unit - India

27. The Company shall monitor customers' transactions & report the same to FIU-IND as per the KYC Master Direction of RBI and applicable PML Rule (Prevention of Money Laundering).

Screening and Requirements/Obligations under International Agreements

28. Company shall take measures to ensure that there is no account/relationship opened/established 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 obligation of Company to do screening of names is under this Act and same should be done as per the KYC Master Direction. The details of the two lists are as under:

- a. The "ISIL (Da'esh) & Al-Qaida Sanctions List", established and maintained pursuant to Security Council resolutions 1267/1989/2253, which includes names of individuals and entities associated with the Al-Qaida.
- b. The "Taliban Sanctions List", established and maintained pursuant to Security Council resolution 1988 (2011), which includes names of individuals and entities associated with the Taliban.

CFHL shall also ensure to refer to the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time.

Details of accounts resembling any of the individuals/entities in the above lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated February 2, 2021 (Annex II of the RBI Master Direction).

Freezing of Assets under Section 51A of UAPA, 1967: The procedure laid down in the UAPA Order dated February 2, 2021 (Annex II of the RBI Master Direction), shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

1. Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005):

29.1 CFHL shall ensure compliance with the "Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005" laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated September 1, 2023, by the Ministry of Finance, Government of India (Annex III of the RBI Master Direction).

29.2 CFHL shall ensure not to carry out transactions in case the particulars of the individual/entity match with the particulars in the designated list.

29.3 Further, CFHL shall run a check, on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc.

29.4 In case of match in the above cases, CFHL shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO), designated as the authority to exercise powers under Section 12A of the WMD Act, 2005. A copy of the communication shall be sent to State Nodal Officer, where the account/transaction is held and to the RBI. CFHL shall file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted.

It may be noted that, Director, FIU-India has been designated as the CNO.

29.5 In case there are reasons to believe beyond doubt that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A of the WMD Act, 2005, CFHL shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.

29.6 In case an order to freeze assets under Section 12A is received by the CFHL from the CNO, CFHL shall, without delay, take necessary action to comply with the Order.

29.7 The process of unfreezing of funds, etc., shall be observed as per paragraph 7 of the Order. Accordingly, copy of application received from an individual/entity regarding unfreezing shall be forwarded by CFHL along with full details of the asset frozen, as given by the applicant, to the CNO by email, FAX and by post, within two working days.

29.8 CFHL shall verify every day, the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities, to take into account any modifications to the list in terms of additions, deletions or other changes and also ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017', as amended from time to time by the Central Government.

In addition to the above, CFHL shall take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA, 1967 and any amendments to the same for compliance with the Government orders on implementation of Section 51A of the UAPA and Section 12A of the WMD Act.

Secrecy Obligations and Sharing of Information

30. Secrecy Obligations and Sharing of Information:

Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between itself and customer as per the guidelines of KYC Master Direction.

CDD Procedure and Sharing KYC Information with Central KYC Records Registry (CKYCR)

31. CFHL shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account- based relationship with the customer in line with the Operational Guidelines issued by CERSAI.

Reporting Requirement Under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)

32. Reporting Requirement Under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) shall be done as per the prevalent rules.

Recruitment & Training

33. The Company to ensure that adequate training/education has been given to Customers, employees to have an understanding of KYC & AML process.

Introduction of New Technologies

34. CFHL 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, CFHL 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.

Reviews/Risk Assessment/Audit

35. Money Laundering ("ML") And Terrorist Financing (TF) Risk Assessment

The Company shall carry out the ML and the TF risk assessments per the KYC Master Direction.

36. Audit Assurance: The Internal Audit function of the Company shall verify compliance with the KYC and AML Policy. The audit findings and compliance thereof will be put up before the Audit Committee of the Board on a quarterly interval till closure of audit findings.

Selling Third Party Products

37. Selling Third Party Products: In case the Company acts as an agent for selling any third-party products (permitted as per the extant regulations), it shall ensure compliance with the following aspects:

- a. The identity and address of the walk-in customer shall be verified as per the extant applicable regulatory requirements before undertaking any transaction.
- b. Transaction details of sale of third-party products and related records shall be maintained.
- c. Monitoring of transactions for any suspicious activity will be done.

Actions to be taken at Group Level

38. For discharging obligations under the provisions of Chapter IV of the PML Act, 2002, the Company shall co-ordinate with other group entities and take actions to implement group-wide programmes, within its group, against money laundering and terror financing, including policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management. Further, such programmes shall ensure adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

General Guidelines

- a. CFHL shall ensure that the provisions of PML Rules framed thereunder and the Foreign Contribution and Regulation Act, 1976 (wherever applicable) are strictly adhered.
- b. In a situation where in the KYC measures cannot be applied satisfactorily due to non-furnishing of information and/or non-cooperation by the customer, CFHL may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions shall be taken at a reasonably senior level.
- c. The internal audit and compliance function shall evaluate and ensure adherence to the AML & KYC policies and procedures.
