

IDFC Limited - Anti-Money Laundering and Know Your Customer Policy

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I **Definition:**

- A. **“Customer”** - Know Your Customer (KYC) Directions, 2016 (“KYC Directions”) issued by RBI on February 25, 2016 defines ‘Customer’ as a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

Customer means:

- a. A person or entity that maintains/proposes to maintain an account and/or has a business relationship with IDFC Ltd (the “Company” OR “IDFC”)
 - 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 Company
 - e. Any person with whom transaction amount exceeds Rs. 50,000/- whether conducted as a single transaction or several transactions that appear to be connected
- B. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner using ‘Officially Valid Documents’ as a ‘proof of identity’ and a ‘proof of address’.
- C. **“Customer identification”** means undertaking the process of CDD.
- D. **“Regulated Entities”** (REs) means
- a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (StCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
 - b. All India Financial Institutions (AIFIs)
 - c. All Non-Banking Finance Companies (NBFC)s, Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).
 - d. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
 - e. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.
- E. **“Simplified procedure”** means the procedure for undertaking customer due diligence in respect of customers, who are rated as ‘low risk’ by the RE and **who do not possess any of the six officially valid documents**, with the alternate documents prescribed under the CDD Procedures under Annexure-3.

- F. **“Officially valid document” (OVD)** means (i) the passport, (ii) the driving licence, (iii) the Permanent Account Number (PAN) Card, (iv) the Voter's Identity Card issued by the Election Commission of India, (v) job card issued by NREGA duly signed by an officer of the State Government, (vi) letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.

Explanation: Customers, at their option, shall submit one of the six OVDs for proof of identity and proof of address.

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

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

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

1. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
2. Property or Municipal Tax receipt;
3. Bank account or Post Office savings bank account statement;
4. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
5. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and
6. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India.

- G. **“Transaction”** is defined as:

A purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes-

- a. opening of an account;
- b. deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
- c. the use of a safety deposit box or any other form of safe deposit;
- d. entering into any fiduciary relationship;
- e. any payment made or received in whole or in part of any contractual or other legal obligation;
- f. any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
- g. establishing or creating a legal person or legal arrangement.

II KYC Requirements:

- 1) Customer Acceptance Policy (“CAP”) is covered in **Annexure-1**.
- 2) Customer Identification Procedures (“CIP”) are given in **Annexure-2**
- 3) CDD Procedures: The features to be verified and documentary proof required from customers of each type and/or their Power Of Attorney (POA) holder and/or their Beneficial Owners at the time of origination shall include items set down in **Annexure-3** as minimum measure.
- 4) The specific customer identification guidelines, risk management/categorization parameters and other KYC measures adopted for the business or operation or vendors are attached as **Annexure-4**
- 5) By its Notification no RBI 2005-06/352 DNBS (PD). CC 68/03.10.042/2005-06 dated April 5, 2006 RBI has notified obligations of NBFCs in terms of Rules notified under “Prevention of Money Laundering Act, 2002”. Thereafter, through various circulars RBI has notified additional requirements to be complied in this respect. The circular casts responsibility on the Company, to maintain and report Cash Transactions & Suspicious Transactions. It also makes it mandatory to file Suspicious Transaction Report (STR) to Financial Intelligence Unit (FIU) – India **within 7 days of arriving at a conclusion** that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report is received from a branch or other office. Such report shall be made available to the competent authorities on request.
- 6) *Any changes required due to business exigencies or due to regulatory / audit requirements, will be required to be approved by Principal Officer, appointed under this Policy.*
- 7) IDFC to appoint Principal Officer, who shall 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, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism.
- 8) IDFC will also appoint a Designated Director in terms of the obligations under the Prevention of Money Laundering (Amendment) Act, 2012 and clarification issued vide RBI Circular DNBR.PD.CC.No.022/03.10.042/2014-15 dated March 16, 2015.
- 9) Following Policy aspects would require compliance on a Company wide basis:
 - a) Business will categorise its customers into low, medium and high risk customers enabling proper monitoring and risk management. The categorisation is to be guided by nature and quantum of exposure and past dealings with the customer, customer identity, social/financial status and nature of business activities. Trust, Charities/NGOs, Foundations, Politically Exposed Persons (PEP's), Non-resident customers, Non face to

face customers, companies having close family shareholding or beneficial ownership and firms with sleeping partners, individuals and entities on the watchlists, customers with dubious reputations as per available public information and watchlists, customers specifically identified by regulators, FIU, etc., High Net worth Individuals, etc will be classified under “High Risk” category by all businesses of IDFC. Indicative list of high and medium risk customers is enclosed as **Annexure-4A** and is as amended from time to time;

- b) IDFC will not carry out any cash transactions in the ordinary course of business. Except in respect of cash transactions upto Rs 50,000/- with any customer, where the borrower or depositor will require prior permission of atleast two member of Management Committee. All branches and businesses will maintain detailed records for all cash transactions above Rs 50,000/-, if permitted by above authorities. With a view to ensuring that amounts are paid out of clearly identifiable sources of funds, it shall be ensured that no cash of Rs. 50,000/- and above is accepted from a Customer/ any other intermediary (auction cases) without obtaining a copy of the PAN card of the Customer/any other intermediary, in addition to the Management Committee approval as mentioned above. In case a Customer does not have a PAN, Form 60, duly signed by the Customer along with a valid identity proof and signature proof, should be accepted. **Any cash transactions of Rs. 10 lakhs and above and integrally connected cash transactions of Rs, 10 lakh and above per month shall be brought to the attention of the Principal Officer for reporting onwards to FIU-IND by 15th of the succeeding month as Cash Transaction Report;**
- c) Receipts or payment of money will be made directly with the counter party, borrower and creditor. Financial transactions with unknown third parties will be prohibited under this policy. No book adjustments will be permitted in this regard for payment or receipt of money from unknown third parties;
- d) Business / Operations are required to formulate procedures to conform to the CAP, CIP and CDD Procedures and the specific KYC Guidelines and risk categorisation requirements as specified in Annexures to this Policy.

10) On-Going Due Diligence (“ODD”):

IDFC would carry out on-going due diligence with respect to the business relationship with every customer closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile and, wherever necessary, the source of funds.

However, the overarching principle for ODD is that the extent of ODD/monitoring would be aligned with the risk category of the customer.

11) Periodic Updation:

Full KYC exercise will be required to be done at least every two years for high risk individuals and entities, at least every ten years for low risk and at least every eight years for medium risk individuals and entities, taking in to account whether and when CDD measures have previously been undertaken and the adequacy of data obtained. Periodic updation shall be subject to the following conditions:

(a) Fresh proofs of identity and address shall not be sought at the time of periodic updation, from customers who are categorised as 'low risk', when there is no change in status with respect to their identities and addresses and a self-certification to that effect is obtained.

(b) A certified copy of the proof of address forwarded by 'low risk' customers through mail/post, etc., in case of change of address shall be accepted.

(c) Physical presence of low risk customer at the time of periodic updation shall not be insisted upon.

(d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

(e) Fresh photographs shall be obtained from customer for whom account was opened when they were minor, on their becoming a major.

RBI guidance issue from time to time in this regard may be followed.

12) Monitoring of Transactions:

The modalities for monitoring the transactions shall be formulated with the growth of business. A monitoring process may be formulated for each of the businesses, as deemed fit and shall be communicated separately. Suspicious activity monitoring program shall be appropriate to the product IDFC sells. Special attention should be paid to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. **The extent of monitoring shall be aligned with the risk category of the customer.**

13) Reporting of Transactions:

- Cash transaction report (CTR) for each month should be submitted to FIU-INDIA by 15th of the succeeding month;
- IDFC should not put any restriction on operations in the accounts where an STR has been made. It should also be ensured that there is no tipping off to the customer at any level.
- The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious.
- RBI has clarified that FINnet gateway portal has to be used for uploading of STR. FIU has enabled Web filing for uploading STR in both Account based Reporting Format (ARF) and Transaction based Reporting Format (TRF). Web filing involves data entry of details on an online web page for submitting reports to FIU-IND.

14) Employee Training:

Periodic training programmes will be organized to train employees in AML procedures. Regular AML training ensures that employees are reminded of their duty to timely report any suspicious activity to the AML Principal Officer.

15) Unique Customer Identification Code ("UCIC"):

UCIC shall be allotted while entering into new relationships with the **individual customers** as also the existing individual customers

16) Audit: KYC documents would be audited periodically by the internal auditors to ensure compliance of RBI/SEBI guidelines.

17) Record Management: All transaction records including KYC documents obtained from customers under the policy would be preserved and maintained

for a period of ten (10) years after the business relationship is ended. Business and Operations Teams would be responsible for the foregoing.

IDFC has to maintain proper records of the following transactions:

- ✓ All suspicious transactions whether or not made in cash which, to a person acting in good faith -
 - Gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or
 - Appears to be made in circumstances of unusual or unjustified complexity; or
 - Appears to have no economic rationale or bona-fide purpose.
- ✓ All cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency.
- ✓ All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month.
- ✓ All transactions involving receipts by non-profits organizations of value more than rupees ten lakh or its equivalent in foreign currency.
- ✓ All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.
- ✓ All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of funds is in India.

Records should contain all the information necessary to permit the reconstruction of the individual transaction including the following information:

- ✓ Nature of the transactions,
- ✓ Amount of the transaction and the currency in which it was denominated,
- ✓ The date on which the transaction was conducted,
- ✓ Parties to the transaction.

18) This policy is subject to modifications/alterations which may be required in view of changes / modifications in the regulations or directives.

Customer Acceptance Policy

- (a) No account shall be opened by IDFC in anonymous or fictitious/benami names.
- (b) No account shall be opened where IDFC 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.
- (d) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation shall be as specified by the Policy and as amended or specified from time to time. Any exceptions shall be discussed with the Principal Officer.
- (e) If the customer or the beneficial owner is PEP, then the same shall be specifically highlighted to the Principal Officer and the Designated Director for their approvals.
- (f) **United Nations Security Council (UNSC) Lists:** If the name of the customer entity/individuals appears on the 2 lists of individuals and entities, suspected of having terrorist links, no account shall be opened by IDFC. The details of the 2 lists are as given below:

"ISIL (Da'esh) & Al-Qaida Sanctions List"

<https://www.un.org/sc/suborg/sites/www.un.org.sc.suborg/files/1267.pdf>

"1988 Sanctions List"

<http://www.un.org/sc/committees/1988/list.shtml>

Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated August 27, 2009.

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.

Customer Identification Procedures

Customer identification shall be undertaken at the time of commencement of an account-based relationship which would include identify its customers, verify their identity, obtain information on the purpose and intended nature of the business relationship; and determine whether a client is acting on behalf of a beneficial owner, and identify the beneficial owner and take all steps to verify the identity of the beneficial owner.

Provided that where RBI is of the view that money laundering and terrorist financing risks are effectively managed and where this is essential not to interrupt the normal conduct of business, RBI may permit the reporting entity to complete the verification as soon as reasonably practicable following the establishment of the relationship; and in all other cases, verify identity while carrying out 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.

In terms of RBI's KYC Direction, IDFC may rely on a third party for verifying the identity of customers, subject to the conditions that –

- (a) the reporting entity immediately obtains necessary information of such customer due diligence carried out by the third party;
- (b) the reporting entity takes adequate steps to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements will be made available from the third party upon request without delay;
- (c) the reporting entity is satisfied that such 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 is not based in a country or jurisdiction assessed as high risk;
- (e) the reporting entity is ultimately responsible for customer due diligence and undertaking enhanced due diligence measures, as applicable; and
- (f) where a reporting entity relies on a third party that is part of the same financial group, the Regulator may issue guidelines to consider any relaxation in the conditions (a) to (d).

Customer Identification Requirements

(1) Trust/Nominee or Fiduciary Accounts:

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. IDFC should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, IDFC may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangement in place. While opening an account for a trust IDFC should take reasonable precautions to verify the identity of the trustees and the settlers of the trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a "foundation" steps should be taken to verify the founder managers/directors and the beneficiaries, if defined.

(2) Accounts of Companies and Firms:

IDFC needs to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts. IDFC should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception e.g. in the case of a public company it will not be necessary to identify all the

shareholders. In all other cases, the principal shareholders would need to be identified. In addition, if significant changes to the customer's company structure or ownership has occurred subsequently, further verification must be performed to establish the customer identity. If the ultimate beneficial ownership has changed, the officer handling the account must inform his/her manager immediately.

(3) Customer accounts opened by professional Intermediaries:

When IDFC has knowledge or reason to believe that the customer account opened by a professional intermediary is on behalf of a single customer, that customer must be identified. IDFC may hold pooled accounts managed by professional intermediary on behalf of a single customer, that customer must be identified. Company may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where funds held by the intermediaries are not co-mingled and separate sub-accounts' are maintained attributable to respective beneficial owner, all the beneficial owners must be identified. Where the Company can rely on the 'customer due diligence' (CDD) done by an intermediary, IDFC should satisfy itself that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. IDFC shall not open accounts of such intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to IDFC. It should be understood that the ultimate responsibility for knowing the customer lies with IDFC.

(4) Accounts of Politically Exposed Persons (PEPs) of foreign origin:

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in India or 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. As part of the enhanced due diligence, IDFC should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information on the person in the public domain. IDFC should verify the identity of the person in the public domain. The identity of the person should also be verified and information should be sought about the sources of funds before accepting the PEP as a customer. The decision to open an account of PEP should be taken only on specific approval of the Principal Officer and the Designated Director appointed under these guidelines. Company should also subject such accounts to enhanced monitoring on an ongoing basis. In the event of the existing customer or the beneficial owner of the existing account subsequently becomes a PEP, the same shall be highlighted to the Principal Officer and the decision to continue the business relationship shall be taken by the Principal Officer and the Designated Director. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

(5) Accounts of Non-face-to-face Customers :

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. As part of the enhanced due diligence, certification of all the documents presented shall be insisted upon and, if necessary, additional documents shall be called for. In such cases, Company may also require the first payment to be effected through the customer's account with another bank, which also adheres to similar KYC standards. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and IDFC may have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

(6) Certain Regulated Customers:

Banks, Primary Dealers and Financial Institutions are regulated by Reserve Bank of India (RBI), Insurance Companies are regulated by IRDA and Mutual Funds and Portfolio Management Services are regulated by Securities Exchange Board of India (SEBI). Registration status of this type of customers will be confirmed from the information available in the public domain. Regulatory websites as well provide the registration status of this type of customers.

(7) Public Sector Undertakings (PSUs):

PSUs have substantial shareholding of either state or central Governments. These organisations are monitored by PSE cell of respective governments and are subject to CAG audit. PSU status of this category of customers will be confirmed from the "Directory of Official web sites of Government of India" or any other suitable public domain.

Beneficial Ownership:-.

Rule 9 (1A) of the Prevention of Money Laundering Rules, 2005 requires that every banking company, and financial institution, as the case may be, shall identify the beneficial owner and take all reasonable steps to verify his identity.

The term "beneficial owner" has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person.

In terms of the RBI's KYC Direction and Rule 9 (3) of the Prevention of Money Laundering Rules, 2005:

(A)

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 person, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

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

2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or 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 15 per cent of capital or profits of the partnership.

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

Explanation: Term 'body of individuals' includes societies.

Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

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

Explanation: Term 'body of individuals' includes societies.

(B) 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.

Further, while undertaking customer identification, IDFC shall also be ensured that:

- (1) Decision-making functions of determining compliance with KYC norms are not outsourced.
- (2) Introduction is not sought while opening accounts.
- (3) Customers are not be required to furnish an additional Officially Valid Document (“OVD”), if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.
- (4) Customers are not required to furnish separate proof of address for permanent and current addresses, if these are different. In case the proof of address furnished by the customer is the address where the customer is currently residing, a declaration shall be taken from the customer about her/his local address on which all correspondence will be made by the regulated entity.
- (5) The local address for correspondence, for which their proof of address is not available, shall be verified through ‘positive confirmation’ such as acknowledgment of receipt of letter, telephonic conversation, visits to the place, or the like.
- (6) In case it is observed that the address mentioned as per ‘proof of address’ has undergone a change, regulated entities shall ensure that fresh proof of address is obtained within a period of six months.

Customer Due Diligence Procedures

Features to be verified and documents that may be obtained from customers

| Features | Documents |
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| <p>For individual as customers</p> <ul style="list-style-type: none"> ■ Legal name and any other names used | <p>(a) A certified copy of one of the following 6 OVDs:</p> <ul style="list-style-type: none"> (i.) Current valid Passport (ii.) PAN card (Mandatory) (iii.) current valid Voter's Identity Card (iv.) valid Driving licence (v.) letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number (vi.) job card issued by NREGA duly signed by an officer of the State Government <p>(b) One recent photograph</p> <p>(c) A document identifying the nature of business or financial status of the individual</p> <p><i>Explanation: Customers, at their option, shall submit one of the six OVDs for proof of identity and proof of address.</i></p> <p>Information collected from customers 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.</p> <p>If Simplified Procedures are applied for <u>verifying the identity</u> of the individual '<u>low risk</u>' customers, the following documents shall be deemed to be OVD:</p> <ol style="list-style-type: none"> 1. identity card with applicant's photograph issued by Central/ State Government Departments, Statutory/ Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions; 2. Letter issued by a Gazetted officer, with a duly attested photograph of the person. |
| <ul style="list-style-type: none"> ■ Correct address | <p>A certified copy of any one of the 6 OVDs listed above shall be obtained.</p> <p><i>Explanation: Customers, at their option, shall submit one of the six OVDs for proof of identity and proof of address.</i></p> <p>If Simplified Procedures are applied for verifying the proof of address of the individual '<u>low risk</u>' customers, the following additional documents are deemed to be OVDs:</p> |

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| | <ol style="list-style-type: none"> 1. Utility bill, which is not more than two months old, of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill); 2. Property or Municipal Tax receipt; 3. Bank account or Post Office savings bank account statement; 4. Pension or family Pension Payment Orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address; 5. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and 6. Documents issued by Government departments of foreign jurisdictions or letter issued by Foreign Embassy or Mission in India. |
| <p>For companies as customers</p> <ul style="list-style-type: none"> ■ Name of the company ■ Principal place of business ■ Mailing address of the company ■ Telephone/Fax Number | <ol style="list-style-type: none"> (i.) Companies: Certificate of Incorporation and Memorandum & Articles of Association. (ii.) Resolution of the Board of Directors to open an account and certified copy of one of the 6 OVDs for identification verification as set forth above, for those who have authority to operate the account (iii.) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv.) Once the beneficial owner is identified as referred in Annexure-2, necessary documents with regard to the said beneficiary (based on the category of client) as specified in Annexure-3 have to be collected. (v.) PAN card / Copy of PAN allotment letter <p>Company's Address Proof documents: (any one)</p> <ol style="list-style-type: none"> (i.) Form 18 / Form INC-22 (Registered Office address) (ii.) IT return acknowledgement (iii.) Bank statement (iv.) Leave and license agreement (v.) Rent agreement (vi.) Telephone bill, not more than 2 months old (vii.) Electricity bill, not more than 2 months old |
| <p>For partnership firms as customers</p> <ul style="list-style-type: none"> ■ Legal name ■ Address ■ Names of all partners and their | <ol style="list-style-type: none"> (i.) Registration certificate (ii.) Partnership deed (iii.) Power of Attorney granted to a partner or an employee of the firm to transact business on its |

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| <p>addresses</p> <ul style="list-style-type: none"> ■ Telephone numbers of the firm and partners | <p>behalf</p> <ul style="list-style-type: none"> (iv.) Any one of the 6 OVDs identifying the partners (as set above) and the persons holding the Power of Attorney and their addresses (v.) Once the beneficial owner is identified as referred in Annexure-2, necessary documents with regard to the said beneficiary (based on the category of client) as specified in Annexure-3 have to be collected (vi.) PAN card / Copy of PAN allotment letter. <p>Address Proof documents: (any one)</p> <ul style="list-style-type: none"> (i.) IT return acknowledgement (ii.) Bank statement (iii.) Leave and license agreement (iv.) Rent agreement (v.) Telephone bill, not more than 2 months old (vi.) Electricity bill, not more than 2 months old |
| <p>For trusts & foundations as customers</p> <ul style="list-style-type: none"> ■ Names of trustees, settlers, beneficiaries and signatories ■ Names and addresses of the founder, the managers/directors and the beneficiaries ■ Telephone/fax numbers | <ul style="list-style-type: none"> (i.) Certificate of registration (ii.) Power of Attorney granted to transact business on its behalf (iii.) Any one of the 6 OVDs to identify each of the trustees, settlors, beneficiaries and those holding Power of Attorney, founders/managers/directors and their addresses (as set above) (iv.) Resolution of the managing body of the foundation/association (v.) PAN card / Copy of PAN allotment letter (vi.) Once the beneficial owner is identified as referred in Annexure-2, necessary documents with regard to the said beneficiary (based on the category of client) as specified in Annexure-3 have to be collected. <p>Trusts and Foundations Address Proof documents: (any one)</p> <ul style="list-style-type: none"> (i.) IT return acknowledgement (ii.) Bank statement (iii.) Leave and license agreement (iv.) Rent agreement (v.) Telephone bill, not more than 2 months old (vi.) Electricity bill, not more than 2 months old |
| <p>For unincorporated association or a body of individuals as customers</p> | <p>One certified copy of each of the following documents:</p> <ul style="list-style-type: none"> (i.) resolution of the managing body of such association or body of individuals (ii.) power of attorney granted to transact on its behalf (iii.) Officially valid documents in respect of the person holding an attorney to transact on its behalf (iv.) PAN card / Copy of PAN allotment letter |

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| | <p>(v.) Once the beneficial owner is identified as referred in Annexure-2, necessary documents with regard to the said beneficiary (based on the category of client) as specified in Annexure-3 have to be collected.</p> <p>(vi.) Such information as may be necessary to collectively establish the legal existence of such an association or body of individuals</p> <p>Address Proof documents: (any one)</p> <p>(i.) IT return acknowledgement</p> <p>(ii.) Bank statement</p> <p>(iii.) Leave and license agreement</p> <p>(iv.) Rent agreement</p> <p>(v.) Telephone bill, not more than 2 months old</p> <p>(vi.) Electricity bill, not more than 2 months old</p> <p>Explanation: Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.</p> |
| <p>For Sole Proprietary Firms as customers</p> | <p>(i.) A certified copy of one of the 6 OVDs, for verifying the identity and address of the individual (proprietor)</p> <p>(ii.) PAN card / Copy of PAN allotment letter</p> <p>(iii.) Once the beneficial owner is identified as referred in Annexure-2, necessary documents with regard to the said beneficiary (based on the category of client) as specified in Annexure-3 have to be collected.</p> <p>(iv.) Address Proof documents: (any one)</p> <ul style="list-style-type: none"> - IT return acknowledgement - Bank statement - Leave and license agreement - Rent agreement - Telephone bill, not more than 2 months old - Electricity bill, not more than 2 months old <p>(v.) Any two of the following documents as a proof of business / activity in the name of the proprietary firm:</p> <ul style="list-style-type: none"> (a) Registration certificate (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act (c) Sales and income tax returns (d) CST/VAT certificate (e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities (f) 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 |

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| | <p>acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities</p> <p>(h) Utility bills such as electricity, water, and landline telephone bills</p> |
| <p>For Foreign Portfolio Investors (RPIs) as customers</p> | <p>Accounts of FPIs which are eligible/ registered as per SEBI guidelines, for the purpose of investment under Portfolio Investment Scheme (PIS), shall be opened by accepting KYC documents as detailed in Annexure-3A (enclosed), subject to Income Tax (FATCA/CRS) Rules.</p> <p>Provided that IDFC shall obtain undertaking from FPIs or the Global Custodian acting on behalf of the FPI that as and when required, the exempted documents as detailed in Annexure-3A will be submitted. Requirements under Annexure-3A may be updated by IDFC from time to time with the approval of the Head – Compliance.</p> |

KYC Templates for Central KYC Records Registry (CKYCR)

IDFC is required to capture the KYC and FATCA/CRS information for sharing with the CKYCR in the KYC templates prepared for 'Individuals' and 'Legal Entities' as the case may be, by RBI.

Final KYC template for clients which are Legal Entities would be issued by RBI in due course of time. The information to be captured in the KYC templates shall be in addition to the KYC requirements mentioned in this Policy. In this regard, KYC and FATCA/CRS Compliance Form prepared and amended by IDFC from time to time with the approval of the Head – Compliance shall be used for obtaining the KYC and FATCA/CRS information from the non-individual customers.

Please note that the aforementioned is indicative and IDFC may call for such additional documents it as may be deemed fit.

KYC documents for eligible FPIs under PIS



KYC for FPIs.pdf

KYC Policy – Business/Treasury/Vendor

I Background:

Pursuant to IDFC's de-merger scheme became effective on October 01, 2015, Financial Undertaking (*as defined in the Scheme of Arrangement*) of IDFC was transferred to IDFC Bank Limited and IDFC then primarily engaged into the investment activities. On the application by IDFC to Reserve Bank of India ("RBI") for its re-classification from Infrastructure Finance Company ("IFC") to the Investment Company ("IC"), RBI has re-classified IDFC as the IC and issued a new Certificate of Registration No. B-07.00718 dated June 03, 2016 in its name, permitting it to carry on the business of Non-Banking Financial Institution as a Non-Deposit taking company (Investment Company).

II Business Profile:

Investment activities of IDFC Ltd. include investments into current and long term investments in quoted equity shares, preference shares, debentures and bonds, government securities including treasury bills, units of mutual fund and others. Unquoted investments may be into the equity shares, preference shares, government securities or government guaranteed bonds, units of mutual funds, commercial paper, etc.

Going forward, IDFC may also be involved into other activities as permitted to IDFC and allowed by RBI.

III Customer Segments:

IDFC clientele on liabilities could be broadly divided into following categories:

- (i) Banks
- (ii) Insurance Companies
- (iii) Mutual Funds, Portfolio Management Services
- (iv) Primary Dealers
- (v) Financial Institutions
- (vi) Public Sector Undertakings
- (vii) Companies, Bodies Corporates, Statutory Corporations
- (viii) Trusts (including Retiral Trusts, Private Trusts and Charitable Trusts)
- (ix) Others e.g. Registered Societies, Partnership firms, etc.

On the asset side, IDFC is currently involved primarily into the investment activities. It does not engage into the client lending activities and it would not have a customer interface in this regard. However, it would be engaged with the counterparties to the investments.

RBI circular requires categorization of customers into low, medium and high risk. Accordingly, IDFC is required to prepare a profile for each new customer on risk categorization.

IV Customer Identification Procedure:

- 1) Of the above, Banks, Primary Dealers and Financial Institutions are regulated by Reserve Bank of India (RBI), Insurance Companies are regulated by IRDA and Mutual Funds and Portfolio Management Services are regulated by Securities Exchange Board of India (SEBI). Therefore, these segments are considered under **low risk** category. Therefore very limited KYC documentation is proposed as below:

- (i.) Copy of the Memorandum and Articles of Association / constitutional documents
- (ii.) Copy of confirmation of registration status of the entity
- (iii.) Entity's PAN card / Copy of PAN allotment letter – for tax purposes
- (iv.) Entity's Address Proof documents: (any one)
 - Form 18 / Form INC-22 (Registered Office address)
 - IT return acknowledgement
 - Bank statement
 - Leave and license agreement
 - Rent agreement
 - Telephone bill, not more than 2 months old
 - Electricity bill, not more than 2 months old
- (v.) Copy of one of the (a) 6 OVDs or (b) documents under Simplified Procedures (as per Annexure-3), for identification and address verification for those who have authority to operate the account.

2) Corporates :

As **listed corporates** are indirectly monitored by SEBI through Stock Exchanges and are subject to disclosure norms prescribed under listing requirements, same will be considered in the list of **low risk** category. In addition to the documents listed in Annexure-3, List of Directors could be obtained.

Unlisted corporates being only registered with the Registrar of Companies will be considered in the **medium risk category**. In addition to the documents listed in Annexure-3, following documents may be obtained:

- (i) Shareholding Pattern
- (ii) List of Directors

In case of a Corporate client, once the beneficial owner is identified based on the process as specified in Annexure-2, necessary documents with regard to the said beneficiary (based on the category of client) as specified in Annexure-3 have to be collected.

3) Public Sector Undertakings (PSU):

PSUs have substantial shareholding of either state or central Governments. As these organisations are monitored by PSE cell of respective governments and are subject to CAG audit, these will be considered in the **low risk** category. Therefore very limited KYC documentation is proposed as below:

- (i) Copy of the Memorandum and Articles of Association / constitutional documents
- (ii) PSU status will be confirmed from the "Directory of Official web sites of Government of India" or any other suitable public domain and attached with KYC documents.
- (iii) PSU's PAN card / Copy of PAN allotment letter – for tax purposes
- (iv) PSU's Address Proof documents: (any one)
 - Form 18 / Form INC-22 (Registered Office address)
 - IT return acknowledgement
 - Bank statement
 - Leave and license agreement
 - Rent agreement
 - Telephone bill, not more than 2 months old
 - Electricity bill, not more than 2 months old

- (v) Certified copy of one of the (a) 6 OVDs or (b) documents under Simplified Procedures (as per Annexure-3), for identification and address verification for those who have authority to operate the account.

4) Individuals/HUF/ HNIs/ Proprietary Concerns

- (a) All individual/HUF customers will be considered in the **high risk** category. In addition to the documents listed in Annexure-3, following information may be obtained:
 - (i) Declaration for source of funds
 - (ii) Copy of latest IT Return
- (b) Additionally, physical verification of residential and business addresses will be carried out as part of due diligence where considered appropriate on review of submission and documents
- (c) In case of HUFs, the Company will deal only with the “Karta”.
- (d) Proprietorship concerns will be placed in the **high risk** category. For KYC compliance, in addition to documents listed in Annexure-3, the following additional documents may be obtained:
 - (i) Details of the Proprietor
 - (ii) Declaration of sources of funds, if required by IDFC
 - (iii) Copy of the latest income tax return
 - (iv) PAN card / PAN allotment letter
 - (v) For verification of address and identity, the norms as specified under the heading of Individuals/HUF will be applicable

5) Trusts:

Under this segment, Treasury Department may deal with Trusts of Provident Funds, Pension Funds, Gratuity Funds and Superannuation Funds. These trusts are recognized by Income Tax Department. Provident Funds and Pension Funds are monitored by EPFO too. These trusts are formed by organizations for the benefit of their employees. In view of this, this segment could also be considered as **low risk** category. However, for identification purpose, following documents will be collected:

- (i) Trust Deed
- (ii) Income Tax Recognition Certificate

In case of Private Trusts, KYC norms as applicable to Corporate/ Individuals shall apply to the Trustees, depending on the category of the Trustees viz. Corporate / Individual. However, for identification purpose, following additional documents may be collected:

- (i) Trust Deed
- (ii) Specimen signatures of authorized signatories
- (iii) Names and addresses of the trustees
- (iv) Any officially valid document to identify the trustees

In case of Charitable Trusts, Treasury will deal with the registered charitable trusts only. These trusts will be placed in the **high risk** category. Following documents will be obtained for the purposes of KYC compliance:

- (i) Copy of the certificate of the registration with the charity commissioner
- (ii) Names and addresses of the trustees
- (iii) Any officially valid document to identify the trustees settlors, beneficiaries and the address of the trust to the satisfaction of IDFC.
- (iv) Income Tax Approval
- (v) Trust Deed
- (vi) Resolution authorising the Trustees to deal / transact on behalf of the Trust

In case of a Trust, once the beneficial owner is identified based on the process as specified in Annexure-2, necessary documents with regard to the said beneficiary (based on the category of client) as specified in Annexure-3 have to be collected.

6) Partnership Firms:

The Company will deal with registered Partnership Firms only and the risk categorisation will be similar to individuals/HUF. For KYC compliance, following documents/information will be obtained:

- (i) Copy of the registered Partnership Deed
- (ii) Certified true copy of the Power of Attorney for investments
- (iii) Declaration of sources of funds
- (iv) Copy of the latest income tax return
- (v) Declaration for source of funds
- (vi) Copy of the PAN Card of the Firm
- (vii) Photo Identity Proof like Permanent Account Number (PAN) Card; Driving License; Voter's Identity Card; Passport etc. of the Partner(s) signing any document

7) Registered Societies:

Treasury will deal with Registered Societies and the risk categorisation will be similar to individuals/HUF. For KYC compliance, following documents/information may be obtained:

- (i) Memorandum of Association / deed/any other instrument regulating or governing the constitution of the society, and rules and regulations / bye-laws of the Society;
- (ii) resolution authorising investment/dealing along with operating instructions/power of attorney;
- (iii) proof of registration with relevant statutory authority;
- (iv) specimen signatures of authorised signatories;
- (v) Copy of the PAN Card; and
- (vi) Photo Identity Proof like Permanent Account Number (PAN) Card; Driving License; Voter's Identity Card; Passport etc. of the person(s) signing any document, if deemed necessary by IDFC.

8) Vendors

In case of any transactions with vendors other than above, IDFC will verify the identity of vendors while carrying out its transactions and the following documentation would be required

Individuals : In case of an **Individual**, it shall submit:

- (i) one certified copy of an 'officially valid document' containing details of his identity and address, and
- (ii) such other documents including in respect of the nature of business and financial status of the customer as may be required by IDFC, as the case may be.

In case of any person **other than an Individual**:

- (i) IDFC shall verify that any person purporting to act on behalf of such customer is so authorised and
- (ii) verify the identity of that person.

Note: Please refer Annexure-3 for documents which can be obtained for the purposes of identification.

Retail Bonds: In case of subscription of bonds by investors in demat mode no further KYC would be required to be undertaken.

- 9) **Jurisdictions that do not or insufficiently apply the FATF Recommendations:**
FATF Statements circulated by RBI from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.

Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

In view of this, the customer entities / individuals or if their beneficial owners are from such countries or jurisdictions, such customers shall be categorised as '**high risk**' customers. The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

Periodical Review of Risk Categorisation:

Risk categorisation of customers from KYC/AML perspective shall have to be carried out at least once in **six months** and if the result of the review is putting the customer into the higher risk category, then enhanced due diligence measures applicable to the higher risk category shall be put in place.

Indicative List of High / Medium risk customers

Characteristics of High Risk Customers

1. Individuals and entities in various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267 etc.;
2. Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities;
3. Individuals and entities in watch lists issued by Interpol and other similar international organizations;
4. Customers with dubious reputation as per public information available or commercially available watch lists;
5. Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk;
6. Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, etc.;
7. Politically exposed persons (PEPs), customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner;
8. Non face-to-face customers;
9. High net worth individuals;
10. Firms with 'sleeping partners' ;
11. Companies having close family shareholding or beneficial ownership;
12. Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale;
13. Shell companies which have no physical presence in branch locations. The existence simply of a local agent or low level staff does not constitute physical presence;
14. Accounts for "gatekeepers" such as accountants, lawyers, or other professionals for their clients where the identity of the underlying client is not disclosed to the NBFC;
15. Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians, etc;
16. Trusts, charities, NGOs/ unregulated clubs and organizations receiving donations;
17. Gambling/gaming including "Junket Operators" arranging gambling tours;
18. Dealers in high value or precious goods (e.g. jewel, gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers);
19. Customers engaged in a business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries);
20. Customers engaged in industries that might relate to nuclear proliferation activities or explosives;
21. Customers that may appear to be Multi level marketing companies etc.

Characteristics of Medium Risk Customers

1. Stock brokerage;
2. Import / Export;
3. Gas Station;
4. Car / Boat / Plane Dealership;
5. Electronics (wholesale);
6. Travel agency;
7. Telemarketers;
8. Providers of telecommunications service, internet café, IDD call service, phone