

LAKSHMITHRA FINANCE PRIVATE LIMITED

KNOW YOUR CUSTOMER (KYC) AND PREVENTION OF MONEY LAUNDERING ACTIVITY POLICY

1. OBJECTIVES

The KYC AML policy is framed in line with RBI Direction/Prevention Act 2002 Rules as amended from time to time.

The KYC policy has been framed by the Company for the following purposes:

1. To prevent criminal elements from using Company for Money Laundering and Terrorist funding activities.
2. To put in place an effective system and procedure for Customer identification and verifying it's his/her identity and residential address.
3. To enable Company to know and understand its Customers and their financial dealings better which, in turn, would help the Company to manage risks prudently.
4. To put in place appropriate controls for detection and reporting of suspicious activities as envisaged under the Anti-Money Laundering Act, 2002 and in accordance with laid down procedures,
5. To comply with applicable laws and regulatory guidelines.

2. DEFINITIONS

1. "Customer "means,
 - a. A person who is engaged in a financial transaction or activity with LAKSHMITHRA FINANCE PRIVATE LIMITED and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting,
 - b. Any other person connected with a financial transaction which can pose significant reputation or other risks to LAKSHMITHRA FINANCE PRIVATE LIMITED
2. "Senior Management"

Senior Management for the purpose of the policy shall include Executive Director, Head- Credit, Head Operations, Head- Compliance and Head-Risk Management.

3. "Obtaining certified copy of Officially Valid Document (OVD) Means comparing the copy of OVD with the original and recording the same on the copy by authorized officer of LAKSHMITHRA FINANCE PRIVATE LIMITED.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 (FEMA 5(R)), alternatively, the original certified copy of OVD, certified by any one of the following, may be obtained:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy-Consulate General in the country where the non-resident customer resides

Certified OVD shall also contain the customer id number and shall be filled carefully for future verification

3. KEY ELEMENTS OF THE POLICY

This policy is applicable to all business operations and services, Money Transfer Services, and also applicable to business verticals of LAKSHMITHRA FINANCE PRIVATE LIMITED and it is to be read in conjunction with related operational guidelines issued from time to time

The policy includes the following key elements:

- a. Customer Acceptance Policy (CAP)
- b. Customer Identification Procedures (CIP)
- c. Monitoring of Transactions (including STR, CTR & CCR)
- d. Risk Management

3.1. CUSTOMER ACCEPTANCE POLICY (CAP)

LAKSHMITHRA FINANCE PRIVATE LIMITED CAP lays down criteria for acceptance of customers. While taking decision to grant any facilities to the customers as well as during the continuation of any facilities the following norms and procedures will be followed by the company.

- a. No account will be opened in anonymous or fictitious/benami name

- b. Customers will be accepted only after verifying their identity, as laid down in Customer Identification Procedures. Necessary checks will be done before opening a new account to ensure that the identity of the Customer does not match with any person with known criminal background or with banned entities.
- c. LAKSHMITHRA FINANCE PRIVATE LIMITED will refrain from opening an account where the company is unable to apply appropriate Customer Due Diligence (CDD) measures either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- d. No transaction or account-based relationship shall be undertaken without the Customer Due Diligence procedure (CDD), set out in Para 3.2.1 of this policy.
- e. A Unique Customer Identification Code (UCIC) shall be allotted to new and existing customers. LAKSHMITHRA FINANCEPRIVATE LIMITED shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of LAKSHMITHRA FINANCEPRIVATE LIMITED desires to open another account with LAKSHMITHRA FINANCEPRIVATE LIMITED, there shall be no need for a fresh CDD exercise.

Implementation of CAP should not become too restrictive and result in denial of the LAKSHMITHRA FINANCE PRIVATE LIMITED's services to general public, especially those who are financially or socially disadvantaged.

3.2. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer Identification involves verification of customer's Identity by using reliable, independent source documents, data of information. LAKSHMITHRA FINANCE PRIVATE LIMITED shall obtain enough information necessary to verify the identity of each Customer. A broad guideline for the customer identification is given below:

LAKSHMITHRA FINANCE PRIVATE LIMITED shall ensure that Customer identification process is under taken, whenever;

- a. an account-based relationship is being established;
- b. Carrying out any international money transfer operations for a person who is not in account holder.
- c. There is doubt about the authenticity or adequacy of customer identification data already obtained.
- d. Transactions with walk in customers, where the amount involves equal or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- e. When LAKSHMITHRA FINANCE PRIVATE LIMITED has reasons to believe that a customer is intentionally Structuring transactions into a series of transactions below the threshold of Rupees Fifty thousand.

3.2.1 CUSTOMER DUE DILIGENCE PROCEDURE (CDD) IN CASE OF INDIVIDUALS

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

- a. A certified copy of Officially Valid Documents (OVD), as given in Annexure 1, containing details of proof of their identity and address;
- b. One recent photograph (For the gold loan customers capturing of photos of the individuals and keeping in the ERP to be continued);
- c. A certified copy of the Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962; and
- d. Such other documents pertaining to the nature of business or financial status specified in this policy.

LAKSHMITHRA FINANCE PRIVATE LIMITED may carry out Offline Verification of customers if they are desirous of undergoing Aadhaar offline Verification for identification purposes.

Wherever Aadhaar details are collected, it shall be ensured that customers have redacted or blacked out their Aadhaar numbers through appropriate means.

The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification, when NBFCs or itself are authorised by RBI to do such verification for establishing account-based relationship

3.2.2 CUSTOMER DUE DILIGENCE BY THIRD PARTY

In compliance of the KYC regulations, LAKSHMITHRA FINANCE PRIVATE LIMITED may rely on the customer due diligence done by third parties, which are regulated entities, for verifying identity of customers at the time of commencement of account-based relationship, subject to the following conditions

- a. Records or information of the customer due diligence carried out by the third party is obtained within 2 days from the third party or from Central KYC Records Registry.
- b. LAKSHMITHRA FINANCE PRIVATE LIMITED is satisfied that copies of the identification data and other relevant documents relating to the customer due diligence requirements will be available from the third party up on request without delay
- c. The third party is regulated, supervised or monitored and has capabilities to comply with the customer due diligence and record keeping requirements as prescribed in the Prevention of Money Laundering Act.
- d. The third party shall not be based in a country or jurisdiction assessed as high risk.

The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable will be that of the LAKSHMITHRA FINANCE PRIVATE LIMITED (Description of Regulated entities are given in Annexure II).

3.2.3 SIMPLIFIED PROCEDURES FOR SMALL VALUE GOLD LOANS:

For customers with aggregate loans below Ra0.50 lakh, Proof of Identity alone will be sufficient provided the customer gives full and complete address in the loan application form and his telephone number is confirmed by the branches to be correct.

If a person is unable to produce identity documents as mentioned in Annexure I (i.e., any of OVDS), interim/Temporary KYC documents such as Labour card, Civil ID card, Credit Card, Employer Company ID card, LIC card, State ID card, Bank Pass Book, etc, may be accepted subject to the following conditions:

- a. The customer shall provide a self-attested photograph of the customer.
- b. Branch Head shall certify under his her signature that the customer has affixed his signature or thumb impression in his presence.
- c. The account shall remain operational initially for 12 months, within which the customer must furnish his identity documents for conducting CDD as mentioned in Para 3.2.1. Customer shall be suitably informed at the time of starting the relationship.
- d. Maximum outstanding shall not exceed Rs 0.50 Lakh in all their accounts taken together at any point of time and the total credit in all the accounts taken together shall not exceed Rs.1.00 lakh in a year.
- e. The customer shall be made aware that no further transaction will be permitted until KYC procedure is completed in case of condition no, d above in breached.
- f. Regularization of Interim/Temporary KYC: In order not to inconvenience the customer, the LAKSHMITHRA FINANCE PRIVATE LIMITED shall notify the customer when the balance reaches rupees forty thousand (Rs. 40,000/-) or the total credit in a year reaches rupees eighty thousand (Rs. 80,000/-) that appropriate documents for conducting the KYC must be submitted and that otherwise the operations in the account will be stopped when the total balance in all the accounts taken together exceeds Ra 0.50 Lakh at any point of time or the total credit in the accounts in year exceeds Rs 1.00 Lakh.

KYC verification once done by one branch shall be valid for transfer of account to any other brunch, provided full KYC verification has already been done and the same is not due for periodic updating.

3.2.4 SELLING THIRD PARTY PRODUCTS

While selling third party products, LAKSHMITHRA FINANCE PRIVATE LIMITED shall comply with the following directions:

- a. Identity and address of the walk-in customers shall be verified for transaction above its 50,000/-, whether conducted as a single transaction or several transactions that appear to be connected.

- b. Transaction details of sale of third-party products and related records shall be maintained as specified under this policy.
- c. AML software capable of capturing, generating and analysing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be made available.
- d. Transactions involving Rs 50,000/- and above shall be undertaken only by
 - Debit to customer's account or against cheque, transfer from banks/debit cards credit card etc.
 - Obtaining and verifying PAN (regular customer as well as walk in customer)

3.2.5 ISSUANCE OF PREPAID PAYMENT INSTRUMENTS (PPI)

With regard to the PPI, LAKSHMITHRA FINANCE PRIVATE LIMITED shall ensure that the instructions issued by Department of Payment and Settlement System of Reserve Bank of India through their Master Direction are strictly adhered to.

3.3. MONITORING OF TRANSACTIONS

- a. LAKSHMITHRA FINANCE PRIVATE LIMITED shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. (An illustrative list of suspicious transactions is given in Annexure III). The extent of monitoring by the LAKSHMITHRA FINANCE PRIVATE LIMITED will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.
- b. LAKSHMITHRA FINANCE PRIVATE LIMITED shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.
- c. LAKSHMITHRA FINANCE PRIVATE LIMITED shall file Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA in terms of the direction of the RBL/PMLA in respect of all products/services.

3.3.1 On-going due diligence

- a. LAKSHMITHRA FINANCE PRIVATE LIMITED shall undertake ongoing due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile, and source of funds.
- b. Any unusual pattern in the operations of the accounts like transactions exceeding threshold limits, high turnover in the accounts compared to the average outstanding etc shall be closely monitored. The extent of monitoring shall be aligned with the risk category of the Customer and high-risk category accounts shall be subjected to more intensify monitoring.

- c. A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

3.3.2 Periodic updation

Periodic updation shall be carried out at least once in every two years, for high-risk Customers, once in every eight years for medium risk Customers and once every ten years for low-risk Customers as per the following procedure.

- a. CDD as specified in Para 3.2.1 shall be carried out at the time of updation. In the case of low- risk customers when there is no change in status with respect to their identities and addresses, a self-declaration to that effect shall be obtained.
- b. In case of legal entities, LAKSHMITHRA FINANCE PRIVATE LIMITED shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- c. Physical presence of the customers need not be insisted up on for the purpose of furnishing or furnishing consent for Aadhaar Offline verification unless there reasons for their physical persons to establish their bona fides ,In normal case, OVD/Consent forwarded by the customer through mail/post, etc, can be accepted .

LAKSHMITHRA FINANCE PRIVATE LIMITED may provide an acknowledgement with date of having performed KYC updation

(Note: The time limits prescribed above would apply from the date of opening of these count/lan verification of KYC)

3.4. RISK MANAGEMENT

LAKSHMITHRA FINANCE PRIVATE LIMITED has put in place appropriate procedures to ensure effective implementation of KYC guidelines.

- a. Risk categorization of Customers shall be undertaken based on various factors, such as nature of employment, business activity of the Customer, location of Customer and his/its clients, mode of payments, volume of turnover, social financial status and credit history.
- b. LAKSHMITHRA FINANCE PRIVATE LIMITED has categorized its Customers into High Risk Medium Risk/ Low Risk based on the profile of the customers, LAKSHMITHRA FINANCE PRIVATE LIMITED shall apply higher due diligence measures keeping in view the risk level.
- c. LAKSHMITHRA FINANCE PRIVATE LIMITED has developed robust under writing procedures for on boarding borrowers, which include verification of ownership of the gold ornaments (in the case of gold loans), assessment of financial resources of the burrowers, collection of their market reports etc (for other loans) & , LAKSHMITHRA FINANCE PRIVATE LIMITED's internal audit periodically evaluate the level of

adherence to the KYC procedures. Audit function shall provide an independent evaluation of the effectiveness of KYC policies and procedures, including legal and regulatory requirements.

4. Customers of Special Category (CSC):

Suitable measures should be exercised to conduct independent judgment to ascertain whether new clients engaged through DP services need to be classified in CSC or not. An illustrative list of Special Category Customers identifiable in DP is given in Annexure IV.

5. CONFIDENTIALITY OF INFORMATION ABOUT CUSTOMERS

All the information collected from the customers by LAKSHMITHRA FINANCE PRIVATE LIMITED shall be kept confidential and all such information shall be treated as per the agreement terms and conditions signed by the customers. Additionally, the information sought from each Customer should be relevant to the risk perceived in respect of that Customer should not be intrusive and should be in line with the guidelines issued by the RBI In that behalf.

Information collected from customers shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

Exception to the confidentiality of customer information shall be as under:

- a. Where disclosure is under compulsion of law.
- b. Where there is a duty to the public to disclosure.
- c. The interest of the company requires disclosure.
- d. Where the disclosure is made with express or implied consent of the customer

6. MAINTENANCE OF RECORDS OF TRANSACTIONS:

LAKSHMITHRA FINANCE PRIVATE LIMITED shall maintain proper records of the transactions required under the provisions of PML, Act and Rules. LAKSHMITHRA FINANCE PRIVATE LIMITED shall

- a. Maintain all necessary records of transactions between LAKSHMITHRA FINANCE PRIVATE LIMITED and the customer, both domestic and international, for at least eight years from the date of transaction or any other higher periods specified in any other law.
- b. Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least eight years after the business relationship is ended.

- c. Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005)
- d. maintain all necessary information in respect of transactions prescribed under PML, Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - the nature of the transactions
 - the amount of the transaction and the currency in which it was denominated
 - the date on which the transaction was conducted; and
 - The parties to the transaction.
- e. LAKSHMITHRA FINANCE PRIVATE LIMITED have a system for proper maintenance and preservation of information in a manner (in hard and/or soft copies) that allows data to be retrieved easily and quickly whenever required or as/ when requested by the competent authorities.

7. GENERAL

7.1 Adherence to KYC guidelines by agents

- a. Agents shall be appointed only after detailed due diligence and ensuring that they are fully compliant with KYC guidelines applicable to NBFCs.
- b. LAKSHMITHRA FINANCE PRIVATE LIMITED shall make available all information to RBI to verify the compliance with KYC guidelines. LAKSHMITHRA FINANCE PRIVATE LIMITED shall be responsible for non-compliance of KYC guidelines by agents.

7.2 Principal Officer

LAKSHMITHRA FINANCE PRIVATE LIMITED has designated Company Secretary as Principal Officer (PO) responsible for ensuring compliance, monitoring transactions, sharing and reporting Information as required under the law/regulations.

7.3 Designated Director

LAKSHMITHRA FINANCE PRIVATE LIMITED has nominated Executive Director, as Designated Director, to ensure overall compliance with the obligations under Prevention of Money laundering Act, 2002 and Rules framed there under, from time to time.

7.4 CDD Procedure and sharing KYC information with central KYC records Registry (CXVCR)

LAKSHMITHRA FINANCE PRIVATE LIMITED shall capture the KYC information for uploading the data pertaining to all new individual accounts opened on or after 1/4/2017 with the CKYCR in the manner mentioned in the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time.

Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSA), to act as, and to perform the functions of the CKYCR.

7.5 Training Programme

LAKSHMITHRA FINANCE PRIVATE LIMITED shall have adequate screening mechanism as an integral part of personnel recruitment/hiring process and also should have an on -going employee training programs so that members of the staff are adequately trained in KYC/AML/CFT procedures. Training requirements shall have different focuses for front line staff and officer/staff dealing with new customers so that all concerned fully understand the rationale behind the KYC policies and implement them consistently.

8. COMPLIANCE OF KYC POLICY

LAKSHMITHRA FINANCE PRIVATE LIMITED's internal audit and compliance functions periodically evaluate the level of adherence to the KYC policies and procedures. The compliance.

- a. Function and audit function together shall provide an independent evaluation of the effectiveness of KYC policies and procedures, including legal and regulatory requirements. The Audit Committee of the Board shall review adherence to the KYC guidelines at quarterly intervals.
- b. Internal Audit shall on a yearly basis conduct an evaluation of compliance functions of policies and procedures including legal and regulatory requirements.

9. OTHER OPERATING INSTRUCTIONS

- a. In case of customers whose accounts have not been operated for who have not been transacting) for more than 12 months, fresh KYC documents will need to be taken before undertaking any new transactions. System based control will be put in place.
- b. As a policy, Gold loan will be granted to individuals only and not to companies, firms, trusts etc.
- c. in the case of 'pardanashin' (veil) women, capturing of the customer's photograph an Customer ID file on the system) may waived provided an acceptable Proof of Identity document is furnished and KYC verification has been carried down by any of female staffs.

OFFICIALLY VALID DOCUMENTS (OVD)

1. Individuals

Officially Valid Documents (OVD) means the passport, the driving licence, proof of possession of Aadhaar number, the voters identity card issued by the election commission of India, job

card issued by NAEGA 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 shall be deemed to be OVDS for the limited purpose of proof of address:-
 - a. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill;
 - b. property or Municipal tax receipt;
 - c. pension or family pension payment orders (PPD) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address,
 - d. letter of allotment of accommodation from employer issued by State Government of 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 deemed OVDS
- 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.

2. Non-Individuals (Companies, Firms, Trusts etc.)

KYC norms are applicable to non-individuals also. The requirements are as under.

Companies	<p>Certified copies of each of the following documents shall be obtained:</p> <ol style="list-style-type: none"> a) Certificate of incorporation with Memorandum & Articles of Association b) Resolution of Board of Directors for opening the account and Power of Attorney/authorization of persons to operate the account on its behalf c) PAN allotment letter / PAN of the Company <p>Documents as specified in Para 1 above of the individuals holding attorney /authorisation to transact on company's behalf.</p>
Partnership Firms	<p>Certified copies of each of the following documents shall be obtained</p> <ol style="list-style-type: none"> a) Registration certificate. b) Partnership deed.

	<p>c) PAN of the partnership firm</p> <p>Documents as specified in Para 1 above of the individuals holding attorney/authorisation to transact on its behalf.</p>
Proprietorship Firms	<p>For opening an account, CDD of the individual (proprietor) as mentioned in para 3.2.1 shall be carried out PLUS any two of the below mentioned documents,</p> <p>a) Registration certificate, If registered b) Certificate/License issued under Shops & Establishment Act c) GST and Income Tax returns d) GST registration certificate (provisional /final) e) Utility bills such as electricity, water, telephone bills etc. f)</p> <p>Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged try the Income Tax authorities</p> <p>IEC (Import Export Code) issued to the proprietary concern by the office of DGFT or Licence/certificate of practice issued in the name of the proprietary concern by any professional body Incorporated under a statute.</p>
Trusts	<p>For opening an account, certified copies of each of the following documents shall be obtained:</p> <p>a) Certificate of registration b) Trust Deed c) Power of attorney authorizing a person to carry out transactions on behalf of the trust d) PAN or Form No.60 of the trust e) Resolution of the managing body of the trust/association. Valid documents identifying the trustees, power of attorney holder etc. (same as applicable for individuals as mentioned in Para 1 above).</p>
An unincorporated association or a body of individuals	<p>For opening an account of an unincorporated association or a body of Individuals, certified copies of each of the following documents shall be obtained:</p> <p>(a) Resolution of the managing body of such association or body of individuals (b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals (c) Power of attorney granted to transact on its behalf (d) Documents, as specified in Para 1, of the person holding an attorney to transact on its behalf and (e) Such information as may be required by LAKSHMITHRA FINANCE PRIVATE LIMITED to</p>

	Collectively establish the legal existence of such an association or body of individuals
Juridical persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats	For opening accounts of juridical persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats, certified copies of the following documents shall be obtained: <p>(a) Document showing name of the person authorised to act on behalf of the entity;</p> <p>(b) Documents, as specified in Para 1, of the individual holding an attorney to transact on its behalf and</p> <p>Such documents as may be required by LAKSHMITHRA FINANCEPRIVATE LIMITED to establish the legal existence of such an entity/juridical person.</p>

Regulated Entities:

- (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 licensed under Section 22 of Banking Regulation Act, 1949.
- (b) All India Financial Institutions (AIFIs)
- (c) All Non-Banking Finance Companies (NBFCs), 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.
- (f) Depository Participants (DP) services.

ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS

Broad categories of reasons for suspicion and examples of suspicious transactions generally observed in Non-Banking Financial Companies are indicated as under:

1. Identity of client:

- (a) False Identification documents
- (b) Identification documents which could not be verified within reasonable time
- (c) Accounts opened with names very close to other established business entities.

2. Background of Client:

Suspicious background or links with known criminals

3. Multiple Accounts:

Large number of accounts having a common account holder, introducer or authorized personnel.

4. Signatory with no rationale:

Unexplained transfers between multiple accounts with no rationale.

5. Activity in accounts:

- (a) Unusual activity compared with past transactions-Sudden activity in dormant accounts:
- (b) Activity inconsistent with what would be expected from declared business.

6. Nature of transactions:

- (a) Unusual or unjustified complexity,
- (b) No economic rationale or bonfires purpose
- (c) Frequent cash transactions:
- (d) Nature of transactions inconsistent with what would be expected from declared business.

7. Value of Transactions

- (a) Value just under the reporting threshold amount in an apparent attempt to avoid reporting.
- (b) Value inconsistent with the client's apparent financial standing

8. Indicators of Suspicious Transactions:

- (a) Reluctant to part with information, data and documents;
- (b) Submission of false documents, purpose of loan and detail of accounts,
- (c) Reluctance to furnish details of source of funds
- (d) Reluctance to meet in person, representing through power of attorney
- (e) Approaching a distant branch away from own address,
- (f) Maintaining multiple accounts without explanation
- (g) Payment of initial contribution through unrelated third-party account
- (h) Suggesting dubious means for sanction of loan
- (i) Where transactions de net make economic sense
- (j) Where doubt about beneficial ownership,
- (k) Encashment of loan through a fictitious bank account:

- (l) Sale consideration quoted higher or lower than prevailing prices
- (m) Request for payment in favour of third party with relation to transaction
- (n) Usage of loan amount for purposes other than stipulated in connivance with vendors, or agent;
- (o) Frequent request for change of address
- (p) Over-payment of instalments with a request to refund the overpaid amount.

Customers of Special Category (CSC):

Special Category Customers identifiable in DP:

- (a) Non Resident Customers
- (b) High Net worth Customers,
- (c) Trust, Charities, NGOs and organizations receiving donations
- (d) Companies having close family shareholdings or beneficial ownership Politically exposed persons (PEP) of foreign origin
- (e) Current/Former Head of State, Current or Former Senior High profile politicians and connected persons (immediate family, Close advisors and companies in which such Individuals have interest or significant influence)
- (f) Companies offering foreign exchange offerings.
- (g) Customers in high risk countries (where existence/effectiveness of money laundering controls is suspect, where there is unusual banking secrecy,
- (h) Courtiers active in narcotics production, Countries where corruption (as per Transparency International Corruption Perception Index) is highly prevalent, Countries against which government sanctions are applied, Countries reputed to be any of the following Havens/sponsors of international terrorism, offshore financial centres, tax havens, countries where fraud is highly prevalent.
- (i) Non face to face customers.
- (j) Customers with dubious reputation as per public information available etc. The above mentioned list is only illustrative and not exclusive.