

SVATANTRA MICRO HOUSING FINANCE CORPORATION LTD (“SMHFC”)
'KNOW YOUR CUSTOMER' (KYC) GUIDELINES – ANTI MONEY LAUNDERING (“AML”)
STANDARDS (w.e.f. 01.04.2021)

With reference to the transfer of regulation of Housing Finance Companies to Reserve Bank of India, vide Reserve Bank of India (RBI) Press Release no.2019-2020/419 dated August 13, 2019 HFCs were to be treated as one of the categories of Non-Banking Financial Companies (NBFCs) for regulatory purposes. RBI vide its notification number RBI/2019-20/235 DOR.NBFC (HFC).CC.No.111/03.10.136/2019-20 dated 19th May 2020 had decided to extend the Master Direction – Know Your Customer (KYC) Direction, 2016 issued by the Bank which has consolidated directions on Know Your Customer (KYC), Anti-Money Laundering (AML) and Combating the Financing of Terrorism (CFT) and was applicable to all Regulated Entities of the Bank, including to all Housing Finance Companies. It further decided that all circulars in this regard issued by National Housing Bank (erstwhile regulator of Housing Finance Companies) stand repealed. The RBI vide notification number RBI/2020-21/73 DOR.FIN.HFC.CC.No.120/03.10.136/2020-21 dated February 17, 2021, issued the Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 which repealed the RBI/2019-20/235 DOR.NBFC (HFC).CC.No.111/03.10.136/2019-20 dated 19th May 2020 and again extended the Master Direction - Know Your Customer (KYC) Direction, 2016, as amended from time to time to Housing Finance Companies. The guidelines contained in the above-mentioned Master Direction are to be applicable to all HFCs irrespective of asset size.

In view of the above, there is a need for HFC's to amend their existing policy keeping the above guidelines in view with the approval of the Board at the earliest to ensure strict compliance.

Background: The Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards have become the international benchmark for framing Anti Money Laundering and combating financing of terrorism policies by the regulatory authorities. Compliance with these standards both by the banks/financial institutions, including HFCs, has become necessary for international financial relationships. The Reserve Bank of India(RBI) has issued revised set of comprehensive. 'Know Your Customer' Guidelines to all Non-Banking Financial Companies (NBFCs), Miscellaneous Non-Banking Companies and Residuary Non-Banking Companies in the context of the recommendations made by the Financial Action Task Force(FATF) and Anti Money Laundering (AML) standards and combating financing of terrorism policies by the regulatory authorities and advised all NBFCs to adopt the same with suitable modifications depending on the activity undertaken by them and ensure that a proper policy framework on KYC and AML measures are formulated and put in place with the approval of their respective Boards. The 'Know Your Customer' Guidelines issued by the National Housing Bank for HFCs have been drafted and issued in the above context.

Definitions: The terms used and not defined herein, shall have their respective meanings as assigned to them in Para 3 of the Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016, as issued by the Reserve Bank of India in the RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16 including any amendments thereto.

'Know Your Customer' Standards

1. The objective of KYC guidelines is to prevent HFCs from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable HFCs to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. SMHFC has framed its KYC policy incorporating the following four key elements:
 - a) Customer Acceptance Policy;
 - b) Risk management
 - c) Customer Identification Procedures (CIP); and
 - d) Monitoring of Transactions;

2. For the purpose of the KYC policy, a 'Customer' is defined as:

a person who is engaged in a financial transaction or activity with a HFC and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

3. Compliance of KYC Standards

SMHFC ensures compliance with the KYC Standards by:

- Specifying that the "Senior Management" of the Company for the purpose of KYC Compliance constitutes of the Managing Director, Chief Operating Officer and National Operations Head.
- Allocating responsibilities through a Delegation of Powers Policy and Matrix for effective implementation of policies and procedures.
- Appointing an Internal Auditor for Independent evaluation of the compliance functions of SMHFC's policies and procedures and verification of compliance with KYC/ Anti- Money Laundering (AML)policies and procedures.
- Submission of quarterly audit notes and compliance to the Audit Committee.

Money Laundering and Terrorist Financing Risk Assessment by the Company:

4. (a) SMHFC shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.

The assessment process shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, SMHFC shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with REs from time to time.

(b) The risk assessment by SMHFC shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. Further, the periodicity of risk assessment exercise shall be determined by the Board of SMHFC, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.

(c) The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated and should be available to competent authorities and self-regulating bodies.

(d) SMHFC shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and shall have Board approved policies, controls, and procedures in this regard. Further, SMHFC shall monitor the implementation of the controls and enhance them if necessary.

5. Appointment of Principal Officer and Designated Director:

SMHFC has appointed its Chief Operating Office to be designated as 'Principal Officer'. As per the RBI guidelines, the Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

SMHFC has appointed its Managing Director as the Designated Director to ensure overall compliance with the obligations imposed under Chapter IV of the Act.

Customer Acceptance Policy (CAP)

6. SMHFC's Customer Acceptance Policy, which lays down explicit criteria for acceptance of customers, ensures the following aspects of the customer relationship:
- a) No account is opened in anonymous or fictitious/benami name(s);
 - b) SMFC will not open an account where it is unable to apply appropriate customer due diligence (CDD) measures, i.e. where SMHFC is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non-co-operation of the customer or non-reliability of the data/information furnished. However, SMHFC will have suitable built- in safeguards to avoid harassment of 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 up dation, is specified.
 - e) Optional/ additional information is obtained with the explicit consent of the customer after the account is opened.
 - f) If an existing KYC compliant customer of the Company desires to open another account with us, there shall be no need for a fresh CDD exercise.
 - g) CDD Procedure is followed for all the joint account holders, while opening a joint account.
 - h) Circumstances, in which a customer is permitted to act on behalf of another person/entity, will be clearly spelt out.
 - i) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

- j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- k) Where an equivalent e-document is obtained from the customer, RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).

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

Risk Management

7. For Risk Management, SMHFC has a risk-based approach which includes the following:
 - (a) Customers shall be categorised as low, medium, and high-risk category, based on the assessment and risk perception of SMHFC as given below.
 - (b) The Risk categorization is undertaken based on parameters such as customer's identity, social financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities are also factored in. Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, may be categorized as low risk. Illustrative examples of low-risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments & Government owned companies, regulators and statutory bodies, etc. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met
- i. Given that the customers we service are from the informal sector, there is an intuitive risk associated with all our customers. Hence to further classify the risk categories of our customers, as required by RBI under the KYC Guidelines, the following parameters will be used in the risk matrix:
 - I. **Number of income sources** - Since all our customers are from the informal sector, the stability of the customer in servicing the loan and the associated risks are directly dependent on the number of earning members, hence the first parameter is-
 - a) Multiple incomes
 - b) Single income
 - II. **Type of property** – A customer of a Government Project would be subject to additional scrutiny with respect to their identity proofs and domicile proofs by the respective Government department which reduces the risk as compared to a customer buying at a Private Builder Project. Additionally, the property being purchased is government subsidised or not, gives an indication of both customer's social/financial status as well as end-use management. Consequently, the second parameter is-
 - a) Government Project
 - b) Private Project

Income Type/ Property Type	Multiple Income	Single Income
Government Project	L1	L2
Private Project	M	H

where,

L stands for **Low Risk** further sub-divided into:

L1 (very low)

L2 (moderately low)

M stands for **Moderate Risk**

H stands for **High Risk**

- ii. SMHFC may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. Examples of customers requiring higher due diligence may include:

- i. non-resident customers,
- ii. high net worth individuals,
- iii. trusts, charities, NGOs and organizations receiving donations,
- iv. companies having close family shareholding or beneficial ownership,
- v. firms with 'sleeping partners',
- vi. politically exposed persons (PEPs) of foreign origin,
- vii. non-face to face customers, and
- viii. those with dubious reputation as per public information available, etc.

Customer Identification Procedure (CIP)

8. SMHFC shall undertake identification of customers in the following cases:
- a. Commencement of an account-based relationship with the customer.
 - b. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
9. SMHFC has an internal team for the purpose of verifying the identity of customers at the time of commencement of account-based relationship. No delegation of this activity to third parties is envisaged until when decided by the Board/ Management Committee.

However, in case the Board / Management Committee, decides to rely on customer due diligence done by a third party, for the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, it shall be delegated, subject to the following conditions:

- (a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- (b) Adequate steps are taken by REs to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.

(c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.

(d) The third party shall not be based in a country or jurisdiction assessed as high risk.

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

Customer Due Diligence (CDD) Procedure

Part I - Customer Due Diligence (CDD) Procedure in case of Individuals

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

a. the Aadhaar number where

i. he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); **or**

ii. he decides to submit his Aadhaar number voluntarily to a bank or any RE notified under first proviso to sub-section (1) of section 11A of the PML Act; or

1. the proof of possession of Aadhaar number where offline verification can be carried out; **or**

(ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; **AND**

b. the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time; **AND**

c. such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by SMHFC

Provided that where the customer has submitted,

i) Aadhaar number under clause (a) above to a bank or to a RE notified under first proviso to sub-section (1) of section 11A of the PML Act, such bank or RE shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to SMHFC.

ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, SMHFC shall carry out offline verification.

iii) an equivalent e-document of any OVD, SMHFC shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I of the Master Direction – Know Your Customer (KYC) Direction, 2016.

iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the RE shall carry out verification through digital KYC as specified under Annex I of the Master Direction – Know Your Customer (KYC) Direction, 2016.

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

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, SMHFC shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of SMHFC and such exception handling shall also be a part of the concurrent audit as mandated in Section 8 of the Master Direction – Know Your Customer (KYC) Direction, 2016. SMHFC shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by SMHFC and shall be available for supervisory review.

Explanation 1- SMHFC shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

Explanation 2: Biometric based e-KYC authentication can be done by officials/business correspondents/business facilitators.

Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

11. Currently, SMHFC does not have any facility to open accounts using OTP based e-KYC in non-face-to-face mode. In case, in the future, if SMHFC decides to open accounts using OTP based e-KYC, in non-face-to-face mode, it shall be subject to the conditions specified in Section 17 of the Master Direction – Know Your Customer (KYC) Direction, 2016.
12. Currently, SMHFC does not have any facility for live V-CIP, to be carried out for establishment of an account-based relationship with an individual customer. In case, in the future, if SMHFC decides make use of the V-CIP facility it shall do so only after obtaining the customer's informed consent and adhering to the stipulations as specified in Section 18 of the Master Direction – Know Your Customer (KYC) Direction, 2016.

SMHFC may also undertake V-CIP for updation / Periodic updation of KYC for eligible customers provided that the minimum standards as given in Section 18 of the Master Direction – Know Your Customer (KYC) Direction, 2016. Are adhered to.

13. Customer Due Diligence (CDD) Procedure in case of Sole Proprietary Firms, Legal Entities and Beneficial Owners shall be followed as per Sections 27 to 34 of the Master Direction – Know Your Customer (KYC) Direction, 2016.

On-going Due Diligence

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

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

Periodic Updation

16. SMHFC has adopted a risk-based approach for periodic updation of KYC, wherein, periodic updation shall be carried out at least once in every two years for high-risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers from the date of opening of the account / last KYC updation.
 - a) Individual Customers:
 - i. **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 SMHFC, customer's mobile number registered with SMHFC, letter etc.
 - ii. **Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with SMHFC, customer's mobile number registered with SMHFC, letter etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables etc.
 - b) Customers other than individuals:
 - i. **No change in KYC information:** In case of no change in the KYC information of the Legal Entity (LE) customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with SMHFC, letter from an official authorized by the LE in this regard, board resolution etc. Further, SMHFC shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
 - ii. **Change in KYC information:** In case of change in KYC information, SMHFC shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.
 - c) Additional measures: In addition to the above, SMHFC shall ensure that,
 - i. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with SMHFC are not as per the current CDD standards. Further, in case the validity of the CDD documents available with SMHFC has expired at the time of periodic updation of KYC, it shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
 - ii. Customer's PAN details, if available with SMHFC, is verified from the database of the issuing authority at the time of periodic updation of KYC.

- iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of SMHFC and an intimation, mentioning the date of updation of KYC details, is provided to the customer.
 - iv. SMHFC shall adopt a risk-based approach with respect to periodic updation of KYC. Any additional and exceptional measures, which otherwise are not mandated under the above instructions, adopted by SMHFC such as requirement of obtaining recent photograph, a more frequent periodicity of KYC updation than the minimum specified periodicity etc., shall be at the discretion of the Management Committee / Credit Committee.
 - v. SMHFC shall ensure that its internal KYC policy and processes on updation / periodic updation of KYC are transparent and adverse actions against the customers should be avoided, unless warranted by specific regulatory requirements.
17. In case of existing customers, SMHFC shall obtain the Permanent Account Number or equivalent e-document thereof or Form No.60, by such date as may be notified by the Central Government, failing which SMHFC shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, SMHFC shall give the customer an accessible notice and a reasonable opportunity to be heard.

Further, Management Committee of SMHFC will provide appropriate relaxation for continued operation of accounts of customers who are unable to provide Permanent Account Number or Form No.60 owing to injury, illness, or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

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

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

18. Enhanced Due Diligence Procedure in case of accounts of non-face-to-face customers, Politically Exposed Persons (PEPs), Client accounts opened by professional intermediaries shall be followed as per Sections 40 to 42 of the Master Direction – Know Your Customer (KYC) Direction, 2016.
19. Simplified Due Diligence Procedure in case of accounts of Self-Help Groups, Foreign Portfolio Investors shall be followed as per Sections 43 and 45 of the Master Direction – Know Your Customer (KYC) Direction, 2016.

Record Management

20. The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to the provisions of the PML Act and Rules. SMHFC shall:
- a. Maintain all necessary records of transactions between SMHFC and the customer for at least five years from the date of transaction;
 - b. Preserve the records pertaining to the identification of the customers and their address obtained while opening the account and during the source of the business relationship, for at least five years after the business relationship has ended;
 - c. make available the identification records and transaction data to the competent authorities upon request.
 - d. introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005) (as unlikely as it will be in SMHFC's case, due to its focus on lower income families)
 - e. maintain all necessary information in respect of transactions prescribed under PML Rule 3, if applicable, so as to permit reconstruction of individual transaction, including the following:
 - (i) the nature of the transactions;
 - (ii) the amount of the transaction and the currency in which it was denominated;
 - (iii) the date on which the transaction was conducted; and
 - (iv) the parties to the transaction.
 - f. evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
 - g. maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format (as unlikely as it will be in SMHFC's case, due to its focus on lower income families).

Reporting Requirements to Financial Intelligence Unit – India

21. SMHFC shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof, if applicable.

In terms of the PMLA rules, SMHFC will report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>. However, as advised by the FIU-IND SMHFC need not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period.

A copy of information furnished, if any, shall be retained by the 'Principal Officer' for the purposes of official record.

22. While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. SMHFC shall not put any restriction on operations in the accounts where an STR has been filed. The Company

shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

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

Requirements/obligations under International Agreements Communications from International Agencies –

24. SMHFC shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, it does not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:
 - a. The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida. The updated ISIL & Al-Qaida Sanctions List is available at https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list
 - b. The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at <https://www.un.org/securitycouncil/sanctions/1988/materials>
25. 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 February 2, 2021 (Annex II of the Master Direction – Your Customer (KYC) Direction, 2016).

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.

26. Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967

The procedure laid down in the UAPA Order dated February 2, 2021 (Annex II of the Master Direction – Your Customer (KYC) Direction, 2016) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

Other Instructions

27. Secrecy Obligations and Sharing of Information
 - a) SMHFC shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the HFC and customer.
 - b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
 - c) While considering the requests for data/information from Government and other agencies, banks shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.
 - d) The exceptions to the said rule shall be as under:

- i. Where disclosure is under compulsion of law
 - ii. Where there is a duty to the public to disclose,
 - iii. the interest of bank requires disclosure and
 - iv. Where the disclosure is made with the express or implied consent of the customer.
- e) HFCs shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

28. CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

- a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.
- b) In terms of provision of Rule 9(1A) of PML Rules, SMHFC shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- c) SMHFC shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
- d) SMHFC was required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.
- e) SMHFC shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.
- f) Once KYC Identifier is generated by CKYCR, SMHFC shall ensure that the same is communicated to the individual/LE as the case may be.
- g) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, SMHFC shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to April 1, 2021 at the time of periodic updation as specified in Section 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer.
- h) SMHFC shall ensure that during periodic updation, the customers are migrated to the current CDD standard.
- i) Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to SMHFC, with an explicit consent to download records from CKYCR, then SMHFC shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless –
 - i. there is a change in the information of the customer as existing in the records of CKYCR;
 - ii. the current address of the customer is required to be verified;
 - iii. SMHFC considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

Reporting under the Foreign Account Tax Compliance Act (FATCA) and the Common Reporting Standard (CRS):

29. Under FATCA and CRS, SMHFC (if applicable) shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether it is a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take steps for complying with the reporting

requirements as given in Section 57 of the Master Direction - Know Your Customer (KYC) Direction, 2016.

Quoting of PAN

30. Permanent account number (PAN) or equivalent e-document thereof of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B applicable to banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN or equivalent e-document thereof.

Hiring of Employees and Employee training

- a. Adequate screening mechanism as an integral part of their personnel recruitment/ hiring process will be put in place.
- b. SMHFC will have an ongoing employee training program so that the members of the staff are adequately trained in KYC/AML Measures policy. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in AML/CFT policies of SMHFC, regulation and related issues shall be ensured.

Adherence to Know Your Customer (KYC) guidelines by the Company and persons authorised by the Company including brokers/agents etc.

- a) Persons authorized by the Company for selling loan related products, their brokers/ agents or the like, shall be fully compliant with the KYC guidelines applicable to SMHFC.

All information shall be made available to the National Housing Bank/ Reserve Bank of India to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by SMHFC including brokers/ agents etc. who are operating on their behalf.