



## **IREDA'S KNOW YOUR CUSTOMER (KYC) POLICY – ANTI MONEY LAUNDERING STANDARDS (Amended – 2016)**

### **1. INTRODUCTION:**

Reserve Bank of India (RBI) vide Circular No.RBI-2004-05/371/DNBS(PD)CC/48/10.42/2004 -05 dated 21<sup>st</sup> Feb.,2005 (Annexure-I) issued to all Non-Banking Financial Companies advising that guidelines on “Know Your Customer” are equally applicable to NBFCs and may be adopted with suitable modifications.

### **2. “KNOW YOUR CUSTOMER” POLICY**

Based on the guidelines (Annexure-I) issued by the Department of Banking Operations and Development (DBOD) to Banks which are equally applicable to NBFCs, “Know your Customer” (KYC) Policy for IREDA was formulated and approved by the Board in their 167<sup>th</sup> meeting held on 9<sup>th</sup> March,2007.

RBI has issued “Master Circular- Know your Customer (KYC) norms/ Anti-Money Laundering (AML) standards/ Combating Financing of Terrorism (CFT)/ Obligation of Banks and Financial institutions under PMLA,2002” vide Circular No. DBR.AML.BC.NO. 15/14.01.001/2015-16 dated 1<sup>st</sup>July, 2015. This master circular consolidates instructions on the above matters issued upto June 30, 2015. (The Master Circular has been placed on the RBI website (<http://www.rbi.org.in>)).

IREDA's KYC Policy has been revised to incorporate latest RBI guidelines relating to Anti-Money Laundering (AML) Measures/ Combating of Financing of Terrorism (CFT) as contained in the Master Circular No. DBR.AML.BC.NO.15/14.01.001/2015-16 dated 1<sup>st</sup> July, 2015.

### **3. OBJECTIVE:**

The objective of KYC/AML/CFT Policy is to prevent IREDA being used intentionally or unintentionally, by criminal elements for money laundering activities. KYC Policy shall also enable IREDA to know/understand the customers and their financial dealings better and manage the risks prudently.

#### **4. WHAT IS MONEY LAUNDERING:**

Prevention of Money Laundering Act (PMLA) 2002 has been enacted and brought into force w.e.f. 1.7.2005. The PMLA 2002 and notified rules impose objections on banking companies, financial institutions and intermediaries to verify the identity of clients, maintain records and furnish information to the Financial Intelligence Unit (FIU). Section 3 of the PMLA Act 2002 defines "Offence of Money Laundering" as under:

"OFFENCE OF MONEY LAUNDERING - Whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money laundering"

Money laundering denotes introduction of tainted money into the mainstream by attempting to relieve it of its tainted character and giving it acceptability as normal money in the financial system. The tainted characteristic of the money is due to its origin arising from illegal activities like embezzlements insider trading, bribery, smuggling terrorism etc.

#### **5. DEFINITIONS:**

For the purpose of KYC policy definitions as given in RBI Master Circular No.**DBR.AML.BC.No.15/14.01.001/2015-16** dated 1<sup>st</sup> July, 2015 are as under:

##### **5.1 Customer**

For the purpose of KYC Norms, a 'Customer' is defined as a person who is engaged in a financial transaction or activity with a reporting entity and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

##### **5.2 Designated Director**

"Designated Director" means a person designated by the reporting entity (bank, financial institution, etc.) to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and includes:-

- (i) the Managing Director or a whole-time Director duly authorized by the Board of Directors if the reporting entity is a company,
- (ii) the Managing Partner if the reporting entity is a partnership firm,
- (iii) the Proprietor if the reporting entity is a proprietorship concern,

- (iv) the Managing Trustee if the reporting entity is a trust,
  - (v) a person or individual, as the case may be, who controls and manages the affairs of the reporting entity, if the reporting entity is an unincorporated association or a body of individuals, and
- such other person or class of persons as may be notified by the Government if the reporting entity does not fall in any of the categories above.

Explanation- For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act.

### **5.3 “Officially valid document” (OVD)**

OVD means the passport, the driving licence, the Permanent Account Number (PAN) Card, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number, or any other document as notified by the Central Government in consultation with the Regulator.

- (i) Provided that where ‘simplified measures’ are applied for verifying the identity of the clients the following documents shall be deemed to be OVD:
  - a) 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;
  - b) Letter issued by a gazetted officer, with a duly attested photograph of the person.
- (ii) 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:.

- 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) Bank account or Post Office savings bank account statement;
- d) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- e) 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
- f) Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India.

#### **5.4 Person**

In terms of PML Act a 'person' includes:

- (i) an individual,
- (ii) a Hindu undivided family,
- (iii) a company,
- (iv) a firm,
- (v) an association of persons or a body of individuals, whether incorporated or not,
- (vi) every artificial juridical person, not falling within any one of the above persons (i to v), and
- (vii) any agency, office or branch owned or controlled by any of the above persons (i to vi).

#### **5.5 Transaction**

"Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes-

- (i) opening of an account;
- (ii) 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;
- (iii) the use of a safety deposit box or any other form of safe deposit;

- (iv) entering into any fiduciary relationship;
- (v) any payment made or received in whole or in part of any contractual or other legal obligation; or
- (vi) establishing or creating a legal person or legal arrangement.

## **6. GENERAL**

- (i) Information collected from the Customer shall be treated as confidential and details thereof are not to be divulged for cross selling or any other like purposes. IREDA shall therefore, ensure that information sought from the Customer is relevant to the perceived risk, is not intrusive and is in conformity with the guidelines issued by RBI in this regard.
- (ii) IREDA shall ensure that any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode for value of Rupees fifty thousand and above is effected by cheques and not against cash payment.
- (iii) IREDA shall ensure that the provisions of Foreign Contribution (Regulation) Act 1976 as amended from time to time wherever applicable are strictly adhered to.

## **7. KYC POLICY:**

The KYC policies should incorporate the following four key elements:

1. Customer Acceptance Policy.
2. Customer Identification Procedures.
3. Monitoring of Transactions and
4. Risk Management.

IREDA's policy in regard to the four key elements in respect of the customers is given below:

## **7.1 Customer Acceptance Policy (CAP)**

IREDA's customers/clients are mainly (i) borrowers to whom IREDA provides financial assistance/ loans. These are generally corporate bodies (ii) Investors are those customers from whom IREDA raises its resources. These include Banks, Financial Institutions, and international bodies like Asian Development Bank, The World Bank, KFW, AFD, NIB and JICA.

Necessary formats have been prescribed for collection of information and other relevant documents for assessment of the risk in respect of individual, partnership firms, corporates and Trust etc. so that customer identification is done properly.

The following aspects shall be considered for acceptance of Customer:

- (i)** IREDA shall not deal with anonymous or fictitious benami name(s).
- (ii)** Risk assessment shall be done based on the information relating to the background of the customer, nature of business activity, location of the customer and his clients, mode of payments, volume of turnover, social and financial status etc. for categorization of customers into low, medium and high risk.
- (iii)** Circumstances in which a customer is permitted to act on behalf of another person/entity should be clearly spelt out in conformity with the established law and practice of banking as there could be occasions when an account is operated/transaction is done by a mandate holder or where an account be opened by an intermediary in the fiduciary capacity.
- (iv)** It shall be ensured that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorist or terrorist organizations.
- (v)** For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions by and large conform to the known profile may be categorized as low risk. Govt. Departments and Government owned companies, regulators and statutory bodies etc. maybe categorized as low

risk. In such cases only the basic requirements of verifying the identities and location of the customer are to be met.

**(vi)** Customers that are likely to pose a higher than average risk to IREDA should be categorized as medium or high risk depending on customers background, nature and location of the activity, country of origin, sources of funds and his client profile etc.

**(vii)** It would be necessary on the part of customer to furnish data/documents as prescribed in this policy. In case of non-submission of information or non-submission of documents as required, IREDA may even refuse to consider the loan application. However, any such refusal shall be with the approval of CMD.

**(viii)** IREDA shall apply enhanced “due diligence” measures based on the risk assessment, thereby requiring intensive “due diligence” for higher risk customer especially those for whom the sources of funds are not clear.

Examples of Customers requiring higher due diligence are as under:

- a) Non-Resident Customers.
- b) High Net worth individuals.
- c) Trusts, Charities, NGOs and other organizations receiving donations.
- d) Dealings with closely held companies.
- e) Companies offering higher returns to their investors.
- f) Companies having dubious reputation.
- g) Companies having close family shareholdings or beneficial ownership.
- h) Firms with sleeping partners.
- i) Politically exposed persons PEPs of foreign origin.
- j) Non face to face customers.

However, only NPS/NGOs promoted by United Nations or its agencies may be classified as low risk customer.

**(ix)** IREDA shall prepare a profile for each new customer based on risk categorization. Prescribed formats provide for collection of information about financial status nature of business, details of their clients etc. Risk assessment shall be done based on the information relating to background of the customer, nature and location of the customers, sources of funds and their clients profile.

- (x) IREDA shall ensure that the adoption of customer acceptance policy and its implementation shall not become too restrictive and shall not result in denial of financial assistance to members of general public especially those who are financially or socially disadvantaged.
  
- (xi) IREDA shall collect documents and other information from different category of persons depending on perceived risk and the requirements of PML Act 2002 and instructions/ guidelines issued from time to time.
  
- (xii) IREDA shall ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanction lists circulated by the Reserve Bank.

## **7.2 Customer Identification Procedure (CIP)**

### **7.2.1 General**

- (i) Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information including identifying and verifying the customer and the beneficial owner on the basis of one of the OVDs. IREDA shall obtain sufficient information necessary to verify the identity of each new customer whether regular or occasional and the purpose of the intended nature of financing relationship. IREDA shall ensure that due diligence undertaken was based on the risk profile of the customer in compliance with the extant guidelines in place. For customers that are natural persons, it would be necessary to verify the identity of the customer, his address/location and also his recent photograph. For customers that are legal persons or entities, it would be necessary to (i) verify the legal status through proper and relevant documents (ii) verify that any person purporting to act on behalf of the legal person/ entity is so authorized and identify and verify the identity of that person (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person (iv) to verify passport/voter identity card, PAN card and (v) DIN (Direct Identification Number) wherever applicable and a copy shall be obtained.



- (ii) IREDA shall periodically update customer identification data (including photographs) after the transaction is completed. The periodicity of updation shall be once in five years in case of low risk category customers and once in two years in case of high and medium risk categories.
- (iii) IREDA shall seek “mandatory information” required for KYC purposes which the customer is obliged to give while opening an account or during periodic updation. Other ‘optional’ customer details/ additional information if required shall be obtained separately after the account is opened with the explicit consent of the customer.
- (iv) In cases of doubts which arise during the course of due diligence at different stages
  - (a) while establishing a financing relationship,
  - (b) while carrying out a financial transaction and
  - (c) about the authenticity or adequacy of the customer identification data it has obtained, specific approval shall be obtained from CMD.

**7.2.2.1 CUSTOMER IDENTIFICATION REQUIREMENT – INDICATIVE GUIDELINES:**

**Customer Due Diligence requirements (CDD) while opening accounts**

**A. Accounts of individuals:**

- (i) For opening accounts of individuals, IREDA shall obtain one certified copy of an 'officially valid document' (as mentioned at paragraph 5.3 above) containing details of identity and address, one recent photograph and such other necessary documents pertaining to the nature of business and financial status of the customer as may be required by the IREDA. For opening accounts based on Aadhaar, if the address provided by the account holder is the same as that on Aadhaar letter, it shall be accepted as a proof of both identity and address.
- (ii) E-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules. The information containing demographic details and photographs made available from UIDAI as a result of e-KYC process is to be treated as an

'Officially Valid Document'. Under e-KYC, the UIDAI transfers the data of the individual comprising name, age, gender, and photograph of the individual, electronically to IREDA/correspondents/business facilitators, which may be accepted as valid process for KYC verification. The individual user, however, has to authorize to UIDAI by explicit consent to release her/his identity/address through biometric authentication to the IREDA/ correspondents/business facilitator. If the prospective customer knows only his/her Aadhaar number, IREDA has to print the prospective customer's e-Aadhaar letter in IREDA directly from the UIDAI portal; or adopt e-KYC procedure as mentioned above. If the prospective customer carries a copy of the e-Aadhaar downloaded from a place/source elsewhere, still the IREDA has to print the prospective customer's e-Aadhaar letter in IREDA directly from the UIDAI portal or adopt e-KYC procedure as mentioned above or confirm the identity and address of the resident through the authentication service of UIDAI.

**(iii)** Since introduction is not necessary for opening of accounts under PML Act and Rules or the Reserve Bank's extant instructions, IREDA shall not insist on introduction for opening of bank accounts.

**(iv) Simplified Measures for Proof of Identity:** If an individual customer does not have any of the OVDs (as mentioned at paragraph 5.3 (i) above) as proof of identity, then IREDA shall be allowed to adopt 'Simplified Measures' in respect of 'Low risk' customers, taking into consideration the type of customer, business relationship, nature and value of transactions based on the overall money laundering and terrorist financing risks involved. Accordingly, in respect of low risk category customers, where simplified measures are applied, it would be sufficient to obtain a certified copy of any one of the documents referred to a proviso to paragraph 5.3 (i) above., which shall be deemed as an OVD for the purpose of proof of identity.

**(v) Simplified Measures for Proof of Address:** The additional documents mentioned at 5.3(ii) above shall be deemed to be OVDs under 'simplified measure' for the 'low risk' customers for the limited purpose of proof of address where customers are unable to produce any OVD for the same.

**(vi) Accounts of Politically Exposed Persons (PEPs) resident outside India**

1. Politically exposed persons are individuals who are or have been entrusted with prominent public functions' in a foreign country i.e. Heads of States or of Government, senior politicians, senior govt./judicial/ military officers, senior executives of state owned corporation. It would be necessary to gather sufficient information on any person who is connected with the customer in any capacity and check all the information available on the person in the public domain. Identity of such person may be verified and information about sources of funds may be obtained before accepting PEP as a customer. Similarly the utilization of funds provided by IREDA may be verified to ensure that funds are utilized for the purpose for which it is given. The decision to accept PEP as customer shall be approved by CMD. Such customers shall be subject to enhanced monitoring on an ongoing basis. The above norms shall be applicable in the case of family members or close relatives of PEPs.
2. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, IREDA shall obtain approval of CMD to continue the business relationship and subject the account to the Customer Due Diligence (CDD) measures as applicable to PEPs including enhanced monitoring on an ongoing basis. These instructions shall also be applicable to accounts where a PEP is the ultimate beneficial owner.
3. Further, IREDA shall have appropriate ongoing risk management systems for identifying and applying enhanced CDD to PEPs, customers who are close relatives of PEPs, and accounts of which a PEP is the ultimate beneficial owner.

**(vii) Accounts of non-face-to-face customers**

With the introduction of phone and electronic banking, increasingly accounts are being opened by banks for customers without the need for the customer to visit the office of IREDA. 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. Certification of all the documents presented should be insisted upon and, if necessary, additional documents may be called for. In such cases, IREDA shall require the first payment to be

effected through the customer's account with another bank which, in turn, 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 IREDA may have to rely on third party certification/introduction. In such cases, it shall be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

**B. Accounts of persons other than individuals:**

**(i) Where the customer is a company,** one certified copy each of the following documents are required for customer identification:

- a) Certificate of incorporation;
- b) Memorandum and Articles of Association;
- c) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf and
- d) An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.

IREDA shall be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with banks/FIs. IREDA shall 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. In the case of a public company it will not be necessary to identify all the shareholders.

**(ii) Where the customer is a partnership firm,** one certified copy of the following documents is required for customer identification:

- a) registration certificate;
- b) partnership deed and
- c) an officially valid document in respect of the person holding an attorney to transact on its behalf.

**(iii) Where the customer is a trust,** one certified copy of the following documents is required for customer identification:

- a) registration certificate;
- b) trust deed and
- c) an officially valid document in respect of the person holding a power of attorney to transact on its behalf.

**(iv) Where the customer is an unincorporated association or a body of individuals**, one certified copy of the following documents is required for customer identification:

- a) resolution of the managing body of such association or body of individuals;
- b) power of attorney granted to transact on its behalf;
- c) an officially valid document in respect of the person holding an attorney to transact on its behalf and
- d) such information as may be required by the bank/FI to collectively establish the legal existence of such an association or body of individuals.

**(v) Proprietary concerns:**

(1) For proprietary concerns, in addition to the OVD applicable to the individual (proprietor), any two of the following documents in the name of the proprietary concern are required to be submitted:

- (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 acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax authorities.
- (h) Utility bills such as electricity, water, and landline telephone bills.

(2) In case it is not possible to furnish two such documents, IREDA may accept only one of those documents as activity proof, In such cases, however, IREDA would have to undertake contact point verification, collect necessary information as would be required to establish the existence of such firm, confirm, clarify and satisfy that the

business activity has been verified from the address of the proprietary concern.

**(vi) When the client accounts are opened by professional intermediaries:** IREDA does not hold “pooled” accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds etc. However, in cases where IREDA rely on the “Customers Due Diligence” (CDD) done by an intermediary, they shall satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirement. IREDA shall take the responsibility for knowing the customer.

### **C. Beneficial ownership**

**Rule 9(1A) of PML Rules provides as under:-**

**“(1A) Every banking company, financial institution and intermediary, as the case may be, shall determine whether a client is acting on behalf of a beneficial owner, identify the beneficial owner and take all reasonable steps to verify his identity.”**

When IREDA identifies a customer for opening an account, it shall identify the beneficial owner(s) and take all reasonable steps in terms of Rule 9(3) of the PML Rules to verify his identity, as per guidelines provided below:

(a) Where the **client 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 exercises 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 **client 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 **client 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.

(d) 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.

(e) Where the **client 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.

(f) Where the client 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.

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. In such cases, IREDA shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, IREDA shall insist on 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 arrangements in place. The different categories of beneficiaries shall be identified as defined above. In the case of a 'foundation', steps shall be taken to verify the founder managers/ directors and the beneficiaries, if defined.

#### **7.2.2.II Small Deposit Accounts:**

This is not applicable in the case of IREDA, because it does not open Small Deposit Accounts.

#### **7.2.2.III Periodic updation of KYC**

##### **CDD requirements for periodic updation:**

IREDA shall carry out periodical updation of KYC information of every customer, which would include the following:

- (i) KYC exercise should be done at least every two years for high risk customers, every eight years for medium risk customers and every ten years for low risk customers. Such KYC exercise may include all measures for confirming the identity and address and other particulars of the customer that IREDA may consider reasonable and necessary based on the risk profile of the customer, taking into account whether and when client due diligence measures were last undertaken and the adequacy of data obtained.
- (ii) IREDA need not seek fresh proofs of identity and address at the time of periodic updation, from those customers who are categorized as 'low risk', in case there is no change in status with respect to their identities and addresses. A self-certification by the customer to that effect should suffice in such cases. In case of change of address of such 'low risk' customers, they could merely forward a certified copy of the document (proof of address) by mail/post, etc. IREDA shall not insist on physical presence of such low risk customer at the time of periodic updation. The time limits prescribed at (i) above would apply from the date of opening of the account/ last verification of KYC.
- (iii) Fresh photographs to be obtained from minor customer on becoming major.

### **7.3 MONITORING OF TRANSACTIONS:**

IREDA shall make endeavours to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified. However, the extent of monitoring will depend on the risk sensitivity of the transaction. Complex and unusually large transaction and all unusual patterns which have no apparent economic or visible lawful purpose should attract the attention for monitoring the transaction and the customer. Background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors shall determine the extent of monitoring. Higher risk accounts shall be subjected to intensify monitoring. IREDA shall carry out the periodic review of risk categorization of transactions/customers and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months.



### **Ongoing monitoring**

Ongoing monitoring is an essential element of effective KYC/AML procedures. IREDA shall exercise ongoing due diligence with respect to every customer and closely examine the transactions to ensure that they are consistent with the customer's profile and source of funds as per extant instructions.

The collection of data on the borrower side would be the primary responsibility of Project & Technical Services Department and the required data as per formats (Forms KYC A to C) prescribed in this policy shall be collected, irrespective whether IREDA is the lead institution or there are other co-financing institutions. To ensure monitoring of IREDA's KYC Guidelines, the borrowers may be requested to resubmit their forms annually or in case there is any change in the structure of entity.

The collection of data on the investor side customers would be the responsibility of dealing officer in the F & A Deptt. of IREDA. While investing in IREDA's bonds, debentures etc. investors shall furnish relevant details in the prescribed format alongwith the application form. Necessary data in the prescribed format shall be furnished alongwith Application Form each time. This would satisfy the requirement of periodical reviews.

#### **7.3.1 Freezing and Closure of Accounts/ Termination of Financing/ Business Relationship:**

- (i)** In case of non-compliance of KYC requirements by the customers despite repeated reminders, IREDA shall impose 'partial freezing' on such KYC non-compliant accounts in a phased manner.
- (ii)** During the course of such partial freezing, the account holders can revive their accounts by submitting the KYC documents as per instructions in force.
- (iii)** While imposing 'partial freezing', IREDA shall have to ensure that the option of 'partial freezing' is exercised after giving due notice of three months initially to the customers to comply with KYC requirements to be followed by a reminder giving a further period of three months.
- (iv)** Thereafter, IREDA shall impose 'partial freezing' by allowing all credits and disallowing all debits with the freedom to close the accounts.
- (v)** If the accounts are still KYC non-compliant after six months of imposing initial 'partial freezing' IREDA shall stop further transactions with such customers.

- (vi) Where IREDA is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-operation by the customer, IREDA shall terminate Financing/Business Relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decision shall be taken with the approval of Chairman & Managing Director.

In the circumstances when IREDA believes that it would no longer be satisfied about the true identity of the account holder, IREDA should file a Suspicious Transaction Report (STR) with Financial Intelligence Unit – India (FIU-IND) under Department of Revenue, Ministry of Finance, Government of India.

#### **7.4 RISK MANAGEMENT:**

- (i) Lending side customers of IREDA are generally Corporates and private companies. They shall be subject to KYC Policy. Necessary details of the borrower company, its directors and promoters entities shall be obtained. Details of individual directors of promoting companies would also be required to be obtained. IREDA places funds in short term deposits with Scheduled Commercial Banks as per the Investment Guidelines.
- (ii) Borrowing side customers of IREDA are generally Scheduled Commercial Banks, Financial Institutions/Bond Holders, bilateral and multilateral agencies.
- (iii) Dealing Officers and Staff in the Technical Division shall obtain the required data/documents and other relevant information and credit risk profiles of the existing and new Customers of Lending Side of IREDA and apply various Anti Money Laundering measures keeping in view the risk involved in a transaction.
- (iv) IREDA shall allocate duties amongst dealing officers and staff for effective implementation of KYC policies and procedures.
- (v) Dealing Officers and Staff in the F&A Deptt. Shall obtain the required data/documents and other relevant information and credit risk profiles of the existing and new borrowing side customers of IREDA. IREDA shall ensure independent evaluation of implementation of policies and procedure including legal and regulatory requirements.

- (vi) Dealing officers and Staff shall take into consideration the guidance notes and reports on KYC/AML issued by Indian Banks Association for risk assessment.
- (vii) Concurrent/Internal Auditors shall specifically check and verify application of KYC procedures and comment on the lapses observed. The compliance in this regard shall be put-up before the Audit Committee of the Board on quarterly intervals.

(viii) IREDA's customers shall be categorized depending on the risk assessment in the categories following category :

Category 'AA' - Very High Risk Customers

Category 'A' - High Risk Customers

Category 'B' - Medium Risk Customers

Category 'C' - Low Risk Customers

**(ix) Category 'AA' or 'A' Customers:** There may be cases where risk perception is very high. Such cases may be categorized as 'AA' category and strict monitoring may be required in these cases. Customers requiring very high level of monitoring e.g. – politically exposed persons (PEPs):

Politically exposed persons are individuals who are or have been entrusted with prominent public functions' in a foreign country i.e. Heads of States or of Government, senior politicians, senior govt./judicial/military officers, senior executives of state owned corporation. It would be necessary to gather sufficient information on any person who is connected with the customer in any capacity and check all the information available on the person in the public domain. Identity of such person may be verified and information about sources of funds may be obtained. This will apply to family members or close relatives of PEPs. Similarly the utilization of funds provided by IREDA may be verified to ensure that funds are utilized for the purpose for which it is given.

It would be necessary to assess the customers in order to know if they are not engaged in any suspicious activities. Depending on the information/data collected, customers may be categorized as A OR AA category.

**(x) Category 'B' Customers:** Customers whose identities and sources of funds can be easily verified and their transactions are clear and do not raise any doubts, shall be categorized in 'B' category.

**(xi) Category 'C' Customers:** All scheduled commercial banks and Financial Institutions registered with Reserve Bank of India, shall be covered under 'C' category. Similarly, Government owned companies, Government departments, regulators and statutory bodies etc. may be categorized in category 'C'.

Necessary data shall be collected about their identity in the requisite formats. Illustrative examples include salaried employees and pensioners, people belonging to lower economic strata, government departments and government owned companies, regulators and statutory bodies, etc. Further, Non-Profit Organisations (NPOs)/ Non-Government Organisations (NGOs) promoted by the United Nations or its agencies, and such international/ multilateral organizations of repute, may also be classified as low risk customers.

#### **7.4.1 RISK ASSESSMENT COMMITTEE:**

Committee consisting of GM (Technical Services), GM (TS), DGM(TS), DGM (F&A) and Group Leader (Sectorial) shall assess the risk involved in the case of different customers on the basis of data collected by PTS Department.

Depending on the requirement, services an independent consultant having knowledge and background on the subject may be taken and may be co-opted in the Risk Assessment Committee. This categorization shall be approved by CMD. Such categorization shall be kept confidential and shall not be divulged.

### **8 KYC FOR EXISTING ACCOUNTS:-**

Regarding existing customers, efforts would be made to collect necessary details as required in the formats.

#### **8.1 FORMATS**

IREDA has prescribed forms for different types of customers as per details given below:

Individual	Investors/Borrower	KYC-A
Corporates	-do-	KYC-B
Others	-do-	KYC-C

As required under the Act and rules, information so collected shall be properly retained and preserved for each customer. Profile of customer may be prepared for quick reference as and when required. The information/documents so collected shall be treated as confidential and shall not be divulged for cross selling or for any other purpose.

## **9. Introduction of New Technologies – Credit Cards/Debit Cards/ Smart Cards/Gift Cards**

IREDA does not issue credit cards, etc. IREDA shall pay special attention to any money laundering threats that may arise from new or developing technologies including internet banking that might favour anonymity, and take measures, if needed, to prevent the same being used for money laundering purposes.

## **10. Combating Financing of Terrorism**

The United Nations periodically circulates the following two lists of individuals and entities, suspected of having terrorist links, and as approved by its Security Council (UNSC).

- a) **The “Al-Qaida Sanctions List”**, includes names of individuals and entities associated with the Al-Qaida. The Updated Al-Qaida Sanctions List is available at [http://www.un.org/sc/committees/1267/aq\\_sanctions\\_list.shtml](http://www.un.org/sc/committees/1267/aq_sanctions_list.shtml).
  
- 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 [http://www.un.org/sc/committees/1988\\_list.shtml/](http://www.un.org/sc/committees/1988_list.shtml/)

The United Nations Security Council Resolutions (UNSCRs), received from Government of India, are circulated by the Reserve Bank to all banks and FIs. IREDA shall update the lists and take them into account for implementation of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967. IREDA shall ensure that they do not open any account in the name of individuals/entities appearing in the lists mentioned above. Details of accounts resembling any of the individuals/entities in the list should be reported to FIU-IND.

### **10.1 Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967**

IREDA shall strictly follow the procedure laid down in the UAPA Order dated August 27, 2009 (Annex II of the Master Circular) and ensure meticulous compliance to the Order issued by the Government.

## **10.2 Jurisdictions that do not or insufficiently apply the FATF Recommendations**

- a) IREDA shall take into account risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement. In addition to FATF, IREDA shall take into account statements circulated by Reserve Bank of India from time to time, and consider publicly available information for identifying countries, which do not or insufficiently apply the FATF Recommendations. IREDA shall give special attention 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.
- b) IREDA shall examine 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. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible be examined, and written findings together with all documents shall be retained and made available to Reserve Bank/other relevant authorities, on request.

## **11 Correspondent Banking and Shell Banking:**

### **11.1 Correspondent Banking**

Correspondent Banking is the provision of Banking Services by one Bank (the “correspondent Bank”) to another Bank (the “respondent”). These services may include cash/funds management, international wire transfer, drawing arrangements for demand drafts and mail transfers, payable through accounts, cheques clearing etc. IREDA generally does not undertake such transactions. However, in the case of any such transaction, IREDA shall gather sufficient information to understand fully the nature of business involved in the transaction.

It shall be necessary to take the approval of the Board of Directors. In such cases it shall also be ensured that:

- (i) The respondent Bank is able to provide relevant customer identification data immediately on request.
- (ii) The responsibilities of each bank with whom correspondent banking relationship is established should be clearly documented.
- (iii) In case of payable-through-accounts, the correspondent bank should be satisfied that the respondent bank has verified the identity of the customers having direct access to the accounts and is undertaking ongoing 'due diligence' on them.
- (iv) IREDA shall be cautious while continuing relationships with correspondent banks located in jurisdictions which have strategic deficiencies or have not made sufficient progress in implementation of FATF Recommendations.
- (v) IREDA shall ensure that their respondent banks have KYC/AML policies and procedure in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts.
- (vi) The correspondent bank shall not permit its accounts to be used by shell banks.

## **11.2 CORRESPONDENT RELATIONSHIP WITH "SHELL BANK"**

IREDA shall refuse to enter into a correspondent relationship with "shell Bank" (i.e. Bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group). Shell Banks are not permitted to operate in India. IREDA shall also guard against establishing relationships with respondent foreign financial institutions that permit their accounts to be used by Shell Bank located in countries with poor KYC standards and countries identified as 'non-cooperative' in the fight against money laundering and terrorist financing. IREDA shall ensure that their respondent Bank have anti money laundering policies and procedures in place and apply enhanced 'due diligence' procedures for transactions carried out through the correspondent accounts if any.

## **12. Applicability to overseas branches/subsidiaries**

The guidelines contained in the master circular shall apply to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations to the extent local laws permit. At present IREDA does not have branches outside India. However, as and when the need arises IREDA shall follow RBI Guidelines contained in the Master Circular.

### **13. WIRE TRANSFER:**

IREDA may use wire transfers for transferring funds. Wire transfers include transactions occurring within the national boundaries of a country or from one country to another.

**(i)** The salient features of a wire transfer transaction are as under:

a) Wire transfer is a transaction carried out on behalf of an originator person (both natural and legal) by electronic means with a view to making an amount of money available to a beneficiary person. The originator and the beneficiary may be the same person.

b) Cross-border transfer means any wire transfer where the originator and the beneficiary are located in different countries. It may include any chain of wire transfers that has at least one cross border element.

c) Domestic wire transfer means any wire transfer where the originator and receiver are located in the same country. It may also include a chain of wire transfers that takes place entirely within the borders of a single country even though the system used to affect the wire transfer may be located in another country.

d) The originator is the account holder, or where there is no account, the person (natural or legal) that places the order to perform the wire transfer.

**(ii)** Wire transfer is an instantaneous and most preferred route for transfer of funds across the globe and hence, there is a need for preventing terrorists and other criminals from having unfettered access to wire transfers for moving their funds and for detecting any misuse when it occurs. Therefore, basic information on the originator of wire transfers is immediately available to appropriate law



enforcement and/or prosecutorial authorities in order to assist them in detecting, investigating, prosecuting terrorists or other criminals and tracing their assets. The information can be used by Financial Intelligence Unit – India (FIU-IND) for analyzing suspicious or unusual activity. The originator information can also be put to use by the beneficiary bank to facilitate identification and reporting of suspicious transactions to FIU-IND. Owing to the potential terrorist financing threat posed by small wire transfers, the objective is to be in a position to trace all wire transfers with minimum threshold limits. IREDA shall ensure that all wire transfers are accompanied by the following information.

**A: CROSS - BORDER WIRE TRANSFERS:**

- (i) All cross-border wire transfers must be accompanied by accurate and meaningful originator information.
- (ii) Information accompanying cross-border wire transfers must contain the name and address of the originator and where an account exists, the number of that account. In the absence of an account, a unique reference number, as prevalent in the country concerned must be included
- (iii) Where several individual transfers from a single originator are bundled in a batch file for transmission to beneficiaries in another country, they may be exempted from including full originator information, provided they include the originator's account number or unique reference number as at (ii) above.

**B: DOMESTIC WIRE TRANSFERS:**

- a) Information accompanying all domestic wire transfers of Rs.50,000 /- (Rupees Fifty Thousand) and above must include complete originator information i.e. name, address and account number etc., unless full originator information can be made available to the beneficiary Bank by other means.
- b) If a IREDA has reason to believe that a customer is intentionally structuring wire transfer to below Rs.50,000/- (Rupees Fifty Thousand) to several beneficiaries in order to avoid reporting or monitoring, IREDA must insist on complete customer identification before effecting the transfer. In case of non-cooperation from the customer, efforts should be made to establish his identity and Suspicious Transaction Report (STR) should be made to FIU-IND.

- c) When a credit or benefit card is used to effect money transfer, necessary information as (i) above should be included in the message.

**(iii) EXEMPTIONS:**

Wire transfers within IREDA and settlements where both the originator and beneficiary would be exempted from the above requirements.

**(iv) ROLE OF ORDERING, INTERMEDIARY AND BENEFICIARY BANKS:**

IREDA does not undertake such wire transactions. However, necessary guidelines given as under shall be followed as and when need arises:

**a) ORDERING BANK:**

An ordering Bank is the one that originates a wire transfer as per the order placed by its customer. It must be ensured that the qualifying wire transfers contain complete originator information. The BANK must also verify and preserve the information at least for a period of five years.

**b) INTERMEDIARY BANK:**

For both cross-border and domestic wire transfers, a Bank processing an intermediary element of a chain of wire transfers must ensure that all originator information accompanying a wire transfer is retained with the transfer. Where technical limitations prevent full originator information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, a record must be kept at least for five years (as required under Prevention of Money Laundering Act,2002) by the receiving intermediary Bank of all the information received from the ordering Bank.

**c) BENEFICIARY BANK :**

A beneficiary Bank should have effective risk based procedures in place to identify wire transfers lacking complete originator information. The lack of complete originator information may be considered as a factor in assessing whether a wire transfer or related transactions are suspicious and whether they should be reported to the Financial Intelligence Unit-India. The beneficiary Bank should also take-up the matter with the ordering Bank if a transaction is not accompanied by detailed information of the fund remitter. If the ordering Bank fails to furnish information on the remitter, the beneficiary Bank should

consider restricting or even terminating its business relationship with the ordering Bank.

#### **14. Principal Officer**

To ensure monitoring and reporting of all transactions and sharing of information as required under Rule 7 of the Prevention of Money Laundering (Maintenance of Records etc.....) 2005 GM (TS) shall be designated as IREDA's Principal Officer. Principal Officer shall be located at the head/corporate office of IREDA and Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. Principal Officer shall be independent & shall report directly to the Director Finance. He will maintain close liaison with enforcement agencies, IREDA and any other institution which are involved in the fight against money laundering and combating financing of terrorism. IREDA shall communicate the name, designation and address of the Principal Officer to the FIU-IND.

The Principal Officer shall be responsible for timely submission of CTR, STR and reporting of counterfeit notes to FIU-IND.

#### **15. Maintenance of KYC documents and Preservation period**

Government of India, Ministry of Finance, Department of Revenue, vide its notification dated July 1, 2005 in the Gazette of India, has notified the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the said Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on financing companies including IREDA in regard to preservation and reporting of customer account information. IREDA shall go through the provisions of PMLA, 2002 and the Rules notified there under for maintenance of KYC documents and take all steps considered necessary to ensure compliance with the requirements of Section 12 of the Act *ibid*.

##### **15.1 MAINTENANCE OF RECORDS OF TRANSACTIONS:**

IREDA shall introduce a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:

- a) All cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency.
- b) 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 and the aggregate value of such transactions exceeds Rupees Ten Lakh.
- c) All cash transactions where forged or counterfeit currency notes or IREDA notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transaction and
- d) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

#### **15.2 INFORMATION TO BE PRESERVED:**

IREDA is required to maintain the following information in respect of transactions referred to in Rule 3.

- a The nature of the transactions;
- b The amount of the transaction and the currency in which it was Denominated;
- c The date on which the transaction was conducted ; and
- d The parties to the transaction.

#### **15.3 PRESERVATION OF RECORDS:**

IREDA shall maintain the records containing information in respect of transactions referred to in Rule 3 above. IREDA shall take appropriate steps to 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.

- (i) In terms of PML Amendment Act 2012, IREDA shall maintain for at least five years from the date of transaction between IREDA and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

- (ii) IREDA shall ensure that records pertaining to the identification of the customer and his address (i.e. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least five years after the business relationship is ended as required under Rule 10 of the Rules *ibid*. The identification records and transaction data shall be made available to the competent authorities upon request.
- (iii) In paragraph 3.3.1(i) of the Master Circular, IREDA have been advised to pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. It is further clarified that the background including all documents/office records/memorandums pertaining to such transactions and purpose thereof should be as far as possible be examined and the findings at branch as well as Principal Officer Level should be properly recorded. Such records and related documents should be made available to help auditors in their day-to-day working by relating to scrutiny of transactions and also to Reserve Bank other relevant authorities. These records are required to be preserved for five years as is required under PMLA, 2002.
- (iv) IREDA shall maintain records of the identity of their clients, and records in respect of transactions referred to in Rule 3 in hard or soft format.

## **16. Reporting Requirements**

### **a) Reporting to Financial Intelligence Unit – India**

- (i) In terms of the Rule 3 of the PML (Maintenance of Records) Rules, 2005, IREDA is required to furnish information relating to cash transactions, cash transactions integrally connected to each other, and all transactions involving receipts by non-profit organisations (NPO means any entity or organisation that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered (erstwhile Section 25 of Companies Act, 1956 ) under Section 8 of the Companies Act, 2013), cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine, cross border wire

transfer, etc. to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi-110021  
Website - <http://fiuindia.gov.in/>

- (ii)** FIU-IND has released a comprehensive reporting format guide to describe the specifications of prescribed reports to FIU-IND. FIU-IND has also developed a Report Generation Utility and Report Validation Utility to assist reporting entities in the preparation of prescribed reports. The Office Memorandum issued on Reporting Formats under Project FINnet dated 31st March, 2011 by FIU containing all relevant details are available on FIU's website. IREDA shall carefully go through all the reporting formats prescribed by FIU-IND.
- (iii)** FIU-IND have placed on their website editable electronic utilities to file electronic Cash Transactions Report (CTR)/ Suspicious Transactions Report (STR) to enable IREDA which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data base. It is, therefore, advised that in case of branches which are not fully computerized, the Principal Officer of IREDA shall cull out the transaction details from branches which are not yet computerized and suitably arrange to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on their website <http://fiuindia.gov.in>.
- (iv)** IREDA shall ensure to put in place an appropriate and robust software application to throw alerts when the transactions are inconsistent with risk categorization and updated profile of the customers.
- (v)** In terms of Rule 8, 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 misrepresented transaction beyond the time limit as specified in

the Rule shall constitute a separate violation. IREDA shall adhere to timeliness of the reporting requirements.

**b) Reports to be furnished to FIU-IND**

**CASH AND SUSPICIOUS TRANSACTION REPORTS:**

**1. Cash Transaction Report (CTR)**

IREDA shall scrupulously adhere to the following:

- (i) The Cash Transaction Report (CTR) for each month should be submitted to FIU-IND by 15<sup>th</sup> of the succeeding month. Cash transaction reporting by branches to their controlling offices should, therefore, invariably be submitted on monthly basis (not on fortnightly basis) and IREDA should ensure submission of CTR for every month to FIU- IND within the prescribed time schedule.
- (ii) All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine should be reported by the Principal Officer to FIU- IND immediately in the specified format (Counterfeit Currency Report – CCR). These cash transactions should also include transactions where forgery of valuable security or documents has taken place and may be reported to FIU-IND in plain text form.
- (iii) While filing CTR, details of individual transactions below rupees Fifty Thousand need not be furnished.
- (iv) CTR should contain only the transactions carried out by IREDA on behalf of their clients/customers excluding transactions between the internal accounts of IREDA.
- (v) A summary of cash transaction report for IREDA as a whole should be compiled by the Principal Officer of IREDA every month in physical form as per the format specified. The summary should be signed by the Principal Officer and submitted to FIU-India.
- (vi) In case of Cash Transaction Report (CTR) compiled centrally by IREDA for the branches having Core Financing Solution (CBS) at their central data

center level, IREDA may generate centralized Cash Transaction Reports (CTR) in respect of branches under core Financing solution at one point for onward transmission to FIU-IND, provided

- a) The CTR is generated in the format prescribed by FIU-IND;
- b) A copy of the monthly CTR submitted on its behalf to FIU-India shall be available at the concerned branch for production to auditors/inspectors, when asked for; and
- c) The instruction on 'Maintenance of Records of Transactions' ; 'Information to be preserved' and 'Maintenance and Preservation of Records' as given in policy in Para 15.1, 15.2 and 15.3 respectively is scrupulously followed by the branch.

However, in respect of branches not under CBS, the monthly CTR should continue to be compiled and forwarded by the branch to the Principal Officer for onward transmission to FIU-IND.

## **2. SUSPICIOUS TRANSACTION REPORTS (STR)**

- (i) While determining suspicious transactions, IREDA should be guided by definition of suspicious transaction contained in PMLA Rules as amended from time to time.
- (ii) It is likely that in some cases transactions are abandoned/ aborted by customers on being asked to give some details or to provide documents. It is clarified that IREDA shall report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.
- (iii) IREDA shall make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA,2002.
- (iv) The Suspicious Transaction Report (STR) should be furnished 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 or a series of transactions 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 any other office. Such report shall be made available to the competent authorities on request.



(v) In the context of creating KYC/AML awareness among the staff and for generating alerts for suspicious transactions, IREDA may consider the indicative list of suspicious activities contained 'IBA's Guidance Note for Banks, January 2012.

(vi) IREDA shall not put any restrictions on operations where an STR has been filed. Banks/FIs and their employees should keep the fact furnishing of STR strictly confidential, as required under PML Rules. It should be ensured that there is no tipping off to the customer at any level.

## **17. General Guidelines**

### **(i) Confidentiality of customer information:**

Information collected from customers for the purpose of opening of account is to be treated as confidential and details thereof should not be divulged for the purpose of cross selling, etc. Information sought from the customer should be relevant to the perceived risk and be non-intrusive. Any other information that is sought from the customer should be called for separately only after the account has been opened, with his/her express consent and in a different form, distinctly separate from the application form. It should be indicated clearly to the customer that providing such information is optional.

### **(ii) Avoiding hardship to customers:**

While issuing operational instructions to branches, IREDA shall keep in mind the spirit of the instructions issued by the Reserve Bank so as to avoid undue hardships to individuals who are otherwise classified as low risk customers.

### **(iii) Sensitising customers:**

Implementation of AML/CFT policy may require certain information from customers of a personal nature or which had not been called for earlier. The purpose of collecting such information could be questioned by the customer and may often lead to avoidable complaints and litigation. IREDA shall therefore, prepare specific literature/pamphlets, etc., to educate the customer regarding the objectives of the AML/CFT requirements for which their cooperation is solicited.

**(iv) Employee training:**

IREDA must have an ongoing employee training programme so that the members of staff are adequately trained in AML/CFT policy. The focus of the training should be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff needs to 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 the bank, regulation and related issues should be ensured.

**(v) Hiring of Employees**

It may be appreciated that KYC norms/AML standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the banking channels. It would, therefore, be necessary that adequate screening mechanism is put in place by IREDA as an integral part of their personnel recruitment/hiring process.


**(vi) Provisions of FCRA**

IREDA shall ensure that the provisions of the Foreign Contribution (Regulation) Act, 2010, wherever applicable, are strictly adhered to.

**(viii) Designated Director**

Director(Technical) shall be nominated as “designated Director”, as required under provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (Rules), to ensure compliance with the obligations under the Act and Rules. The name, designation and address of the Designated Director may be communicated to the FIU-IND. IREDA can also designate a person who holds the position of senior management or equivalent as a 'Designated Director'. However, in no case, the Principal Officer should be nominated as the 'Designated Director'.

-----

	<b>KNOW YOUR CUSTOMER</b> (ISO 9001 : 2015) <b>TITLE : ACCOUNTS OF INDIVIDUALS</b>	<b>FORM NO. KYC-A</b> <b>Issue No. : 04</b> <b>Effective Date : 12.11.2014</b>
	<b>Prepared by : General Manager</b>	<b>Approved by : Board of Director/CMD</b>

**Profile of the Customer:**  
photographs)

(Recent

<b>1. Legal name and any other names used</b>	
Date of Birth	
Gender	
Telephone No.	
Mobile No.	
Email	
Income Tax ID (PAN)	
Bank Account Nos.	

<b>2. DIN (issued by MCA) details, wherever applicable</b>	
<b>3. Mailing current address (with fax, Telephone nos. &amp; Pin Code)</b>	Address:
	State :
	Pin Code :
	Phone No :
	Fax :
<b>4. Permanent Address (with telephone nos. &amp; Pin code)</b>	Mobile :
	Address:
	State :
	Pin Code :
	Phone No :


**5. Certified copy of any one of the following Officially Valid Document for PROOF OF IDENTITY AND ADDRESS:**

Name of the document	
<b>a) For resident Indian nationals</b>	
(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving License (v) Job Card issued by NREGA duly signed by an officer of the State Govt (vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number.	
<b>b) For foreign nationals/ NRIs etc</b>	
(i) Passport – mandatory	
(ii) Driving License / Any other document	

6. Details of Main Business/Other activities*	
7. Sources of Funds *	
8. Net worth*	
9. Borrowings from Banks / FIs *	

\*For Promoter Directors/Guarantors

Signature of Director/ Promoter/ Guarantor

	<b>KNOW YOUR CUSTOMER</b> (ISO 9001 : 2015) <b>TITLE : ACCOUNTS OF COMPANIES</b>	<b>FORM NO. KYC-B</b> Issue No. : 04 Effective Date : 12.11.2014
	<b>Prepared by : General Manager</b>	<b>Approved by : Board of Director/CMD</b>

**Profile of the Customer:**

1. Name of the Company		
Corporate Identification No.(CIN)		
Date of Incorporation		
Telephone No.		
Income Tax ID(PAN)		
Registered Office		
Corporate Office		
Bank Accounts		
2. Principal place of business with PIN Code	Location: Taluka: District:	
	State: Pin Code:	
3. Mailing current Address (with telephone and fax nos.)	Address:	
	State: Pin Code: Phone No: Fax: Email: Web: Chief Executive Officer: Designation: Mobile:  Contact Person: Designation: Mobile:	

4. Names and address of each of the Directors / Promoter / Guarantor

Name	
Designation	
Gender	
Mobile	
Email	
DIN / DUNS	
Passport No.	

Date of Birth	
Father's Name	
Present Address	
Permanent Address	
PAN No.	
Educational Qualifications	
Experience	

5. Signature of authorized signatories

Name	Designation	Signature
1.		
2.		
3.		

6. Details of Main Business/ Other activities	
7. Net worth of the Company	
8. Borrowings from Banks/ FIs (If any)	
9. Sources of Funds (Promoter Contribution)	

**SHARE HOLDING PATTERN (Separate KYC-A & B is required for shareholders)**


Name of Shareholders	Amount	%ge of Total Equity	Equity Infused as on .....	Balance equity to be brought in
<b>Proposed Paid Up Capital</b>				
• Mr.A				
• Mr.B				

• Mr.C				
• Company A				
• Company B				
<b>Public Issue</b>				
•				
<b>Fully Convertible Debentures</b>				
•				
<b>Total</b>				

**Certified copy of any one of the following Officially Valid Document:**

<b>Name of the document</b>	
i. Certificate of incorporation and Memorandum & Articles of Association	
ii. Resolution of the Board of Directors and identification of those who have authority to operate	
iii. Power of Attorney granted to its managers, officers or employees to transact business on its behalf; and	
An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf.	

Signature

	<b>KNOW YOUR CUSTOMER</b> (ISO 9001 : 2015)	<b>FORM NO. KYC-C</b> Issue No. : 04 Effective Date : 12.11.2014
	<b>TITLE : OTHERS- INVESTORS/BORROWER</b>	
<b>Prepared by : General Manager</b>	<b>Approved by : Board of Director/CMD</b>	<b>Issued by : Management Representative</b>

**Profile of the Customer:**

1. Legal Name of the trust / foundation		
2. Address (with telephone and fax nos. & Pin Code)	Address:	
	State :	
	Pin Code :	
	Phone No :	
	Fax :	
	Mobile :	
	<b>Email :</b>	

3. Certified copy of any one of the following Officially Valid Document:

<b>Name of the document</b>	
i. Registration certificate	
ii. Partnership deed	
iii. Trust deed	
iv. Resolution of the managing body of such association or body of individuals	
v. Power of attorney granted to him to transact on its behalf	
vi. An Officially Valid Document in respect of the person holding an attorney to transact on its behalf	
vii. Information as may be required by the bank to collectively establish the legal existence of such an association or body of individuals.	



4. Names and addresses of the founder, the managers / directors, trustees, settlers, beneficiaries and signatories: Please also submit applicable individual form No. KYC A.

S.No.	Names of all Partners / Directors / Trustees	Address
1.		
2.		
3.		
4.		
5.		

5. Names of all partners:

S.No:	Names of all partners :	Designation	Signature
(i)			
(ii)			
(iii)			
(iv)			
(v)			

6.	Details of Business/Other activities :	
7.	Sources of Funds	
8.	Net worth	
9.	Borrowings from Banks/ FIs	

Signature