

Alpha Alternatives Financial Services Pvt Ltd
Know Your Customer & Anti-Money Laundering Policy-2026

Approval Date: 24.04.2026

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1. Introduction

(i) In terms of para 6(1) of the Reserve Bank of India (Non-Banking Financial Companies-Know Your Customer) Directions, 2025 DOR.AML.REC. No.280/14.01.003/2025-26 dated November 28, 2025, the NBFC has put in place a Board approved policy, which *inter alia* includes the following four key elements:

(a) Customer Acceptance Policy

(b) Periodic Updation of KYC, and Risk Assessment of Customers

(c) Customer Identification Procedures, and Customer Due Diligence (CDD) Process

(d) Monitoring of Transactions

(ii) The policy framework seeks to ensure compliance with PML Act/Rules, including regulatory instructions in this regard and shall provide a bulwark against threats arising from money laundering, terrorist financing, proliferation financing and other related risks. While ensuring compliance with the legal/regulatory requirements the NBFC shall consider adoption of best international practices, considering the FATF standards and FATF guidance notes, for managing risks better.

2. Group-wide Policies

(i) In terms of the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (PML Rules), groups are required to implement group-wide policies for the purpose of discharging obligations under the provisions of Chapter IV of the Prevention of Money-Laundering Act, 2002 (PML Act).

(ii) The NBFC, which is part of a group, shall implement group-wide programmes against money laundering and terror financing, including group-wide policies for sharing information required for the purposes of client due diligence and money laundering and terror finance risk management and such programmes shall include adequate safeguards on the confidentiality and use of information exchanged, including safeguards to prevent tipping-off.

(iii) The Group shall have the same meaning assigned to it in Section 286(9)(e) of the Income-tax Act, 1961

3. Money Laundering and Terrorist Financing Risk Assessments

(i) The NBFC shall carry out 'Money Laundering and Terrorist Financing 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.

(ii) 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, the NBFC shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/ supervisor may share with the NBFC from time to time.

(iii)The NBFC shall properly document its risk assessment exercise. The risk assessment shall be reviewed by the RMC/Board, at least on half-yearly basis, and the outcome shall be made available to competent authorities/regulator, as and when required.

4. Role of the Designated Director

(i)The designated director means a person designated by the RE to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the PML Rules.

(ii)The ED of the NBFC is the designated director, as nominated by the Board.

(iii)The name, designation, and contact details of designated director shall be communicated to the FIU-IND and RBI.

5. Role of the Principal Officer

(i)The principal officer means an officer at the management level nominated by the NBFC, responsible for furnishing information under Rule 8 of the PML Rules.

(ii)The principal officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

(iii) The CFO, as the key managerial personnel, is responsible for furnishing the requisite information under the PML Rules.

(iv) The name, designation and contact details of the principal officer shall also be communicated to the FIU-IND and RBI.

(v)The NBFC shall not nominate the principal officer as the 'designated director

6. Customer Acceptance Policy

(i) The NBFC shall not undertake any transaction without following Customer Due Diligence (CDD).

(ii) The circumstances in which a customer is permitted to act on behalf of another person/entity, shall be clearly spelt out, and documented.

(iii) The NBFC shall put in place a suitable system to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists (Annex-1).

(iv) Where PAN is obtained, the same shall be verified from the verification facility of the issuing authority.

(v) The NBFC shall verify the customer's digital signature on the equivalent e-document (if obtained) as per the provisions of the Information Technology Act, 2000

(vi) Where GST details are available, the GST no. shall be verified from the search/verification facility of the issuing authority.

(vii) Where the NBFC forms a suspicion of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR with FIU-IND.

(viii) The NBFC shall file a suspicious transactions report (STR), if necessary, when it is unable to comply with the relevant CDD measures in relation to a customer, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.

Explanation:

(a) Suspicious transaction means a transaction as defined below, including an attempted transaction, whether made in cash, which, to a person acting in good faith, which gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the schedule to the Act, regardless of the value involved, or appears to be made in circumstances of unusual or unjustified complexity, or appears to not have economic rationale or bona-fide purpose, or gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

(b) A transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

(ix) The Customer Acceptance Policy shall not result in denial of a financial facility to members of the public, especially those who are financially or socially disadvantaged, including the person with disabilities. The NBFC shall not reject an application for onboarding or periodic updation of KYC without application of mind. The officer concerned shall duly record the reason(s) for rejection.

(x) The NBFC shall obtain additional information, with the explicit consent of the customer.

7. Customer Identification Procedures (CIP)

7.1. The NBFC shall undertake identification of customers in the following cases:

- (i) Carrying out any international money transfer operations with a customer
- (ii) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (iii) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds Rs.50,000/-, whether conducted as a single transaction or several transactions that appear to be connected.
- (iv) When the NBFC has reason to believe that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50,000/-.

7.2. For verifying the identity of customers, the NBFC may rely on CDD done by a third party, subject to the following conditions:

- (i) The records or the information of the CDD carried out by the third party are obtained immediately from the third party or from the Central KYC Records Registry (CKYCR), using a KYC identifier.

Explanation:

(a) Central KYC Records Registry (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer. Every RE within 10 days after the commencement of account-based relationship with the customer, shall file the electronic copy of the customer's KYC records with CKYCR. Whenever the RE obtains additional or updated information from any customer as per Rule 9 (1C) of the PML Rules, the RE shall within seven days or within such period, as may be notified by the Central Government, furnish the updated information to CKYCR, which shall update the KYC records of the existing customer in CKYCR. CKYCR thereafter informs electronically all the reporting entities who have dealt with the customer concerned regarding updation of KYC record of the said customer. Once CKYCR informs an RE regarding an update in the KYC record of an existing customer, the RE shall retrieve the updated KYC records from CKYCR and update the KYC record maintained by the RE.

The RE that has last uploaded or updated the customer's KYC records in the CKYCR shall be responsible for verifying the identity and/or address of the customer, as applicable. Accordingly, the NBFC downloading and relying on such records from the CKCYR shall not be required to re-verify the authenticity of the customer's identity and /

or address, provided the KYC records downloaded from CKYCR are current and compliant with the PML Act, 2002/PML Rules, 2005. The NBFC downloading and relying on KYC records downloaded from the CKCYR shall remain responsible for all aspects of CDD procedure and provisions of these Directions, except verification of identity and or address of the customer.

(b) CKYC Identifier means the unique 14-digit code assigned to a customer by the Central KYC Records Registry. CKYC Identifier is linked to the customer's KYC data. Once CKYC Identifier is allotted the customer is not required to submit KYC documents to any financial institution, for verification of the KYC.

(ii) The copies of identification data and other relevant documentation relating to the CDD requirements shall be made available by the third party, upon request without delay.

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

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

(v) The ultimate responsibility for CDD and undertaking enhanced due diligence measures, as applicable, will be with the NBFC.

8. Digital KYC Process

Digital KYC process means capturing live photos of the customer and officially valid document or the proof of possession of Aadhar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorized officer of the NBFC, as per the provisions contained in the PML Act.

9. Video based Customer Identification Process (V-CIP)

(i) V-CIP is an alternate method of customer identification with facial recognition and customer due diligence by an authorized official of the NBFC by undertaking seamless, secure, live, informed-consent based audio-visual interaction with the customer to obtain identification information required for CDD purpose, and to ascertain the veracity of the information furnished by the customer through independent verification and maintaining audit trail of the process. Such processes complying with prescribed standards and procedures are treated on par with face-to-face CIP.

(ii) The NBFC shall undertake V-CIP to carry out CDD in case of new customer onboarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers,

periodic updation of KYC for eligible customers, only on adhering to the minimum standards on V-CIP infrastructure, Procedure, Records and Data Management.

10. Officially Valid Document (OVD)

OVD means the passport, the driving license, proof of possession of Aadhaar number, the voter's identity card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the state government and letter issued by the National Population Register containing details of name and address, provided that:

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

(ii) Where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address viz., utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill, etc.), property or municipal tax receipt, pension or family pension payment orders (PPOs) issued to retired employees by government departments or public sector undertakings, if they contain the address, letter of allotment of accommodation from employer issued by state government or central government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation.

(iii) The customer shall submit OVD with current address within a period of three months of submitting the document specified at (b) above.

(iv) Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the government departments of foreign jurisdictions and letter issued by the foreign embassy or mission in India shall be accepted as proof of address.

(v) A document shall be deemed to be an OVD even if there is a change in the name after its issuance provided it is supported by a marriage certificate issued by the state government or gazette notification, indicating such a change of name.

11. Customer Due Diligence (CDD)

11.1. CDD Process for Individuals

(i) The NBFC shall obtain the following from an individual while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney

holder related to any legal entity:

(a) Aadhaar number, or

(b) proof of possession of Aadhaar number, where the NBFC can carry out offline verification, or

(c) any OVD or the equivalent e-document thereof containing the details of their identity and address, or

(d) the KYC Identifier with an explicit consent to download records from CKYCR, or

(e) the PAN or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962, and

(f) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof.

(ii) Where a customer has submitted the Aadhaar number, the NBFC shall carry out authentication of the customer's Aadhaar number using UIDAI's e-KYC authentication.

(iii) Where a customer has submitted proof of possession of Aadhaar number, the NBFC shall carry out offline verification.

(iv) Where a customer has submitted any OVD or an equivalent e-document, the NBFC shall verify the digital signature, as per the provisions of the Information Technology Act, 2000 and any rules issued thereunder and take a live photo.

(v) Where a customer has submitted any OVD or proof of possession of Aadhaar number, where offline verification cannot be carried out, the NBFC shall carry out verification through digital KYC.

(vi) Where the customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he/she can give a self-declaration to that effect to the NBFC.

(vii) Where KYC Identifier is obtained, the NBFC shall retrieve the KYC records online from the CKYCR.

(viii) Where the Government has notified for a class of customer, instead of carrying out digital KYC, the NBFC shall obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph, where such customer does not submit an equivalent e- document.

(ix) Where the NBFC cannot perform an e-KYC authentication for an individual, owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, the NBFC 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. The NBFC 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 NBFC shall subject the database to periodic internal audit/inspection and the NBFC shall make database available for supervisory review.

(x) The NBFC shall, where its customer submits Aadhaar Number or a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means.

(xi) The NBFC official may perform biometric-based e-KYC authentication, including Aadhaar Face Authentication.

(xii) The NBFC shall ensure that the use of Aadhaar, proof of possession of Aadhaar etc., is in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

11.2. CDD Measures for Sole Proprietary Firms

(i) The NBFC shall obtain any two of the following documents or the equivalent e-documents thereof as proof of business/activity in the name of the proprietary firm:

(a) Registration certificate including Udyam Registration Certificate (URC) issued by the Government.

(b) Licence issued by the municipal authorities under Shop and Establishment Act

(c) Sales and income tax returns

(d) CST/VAT/GST certificate

(e) Certificate/registration document issued by Sales Tax/Service Tax/ Professional Tax authorities

(f) Importer Exporter Code issued to the proprietary concern by the office of DGFT or licence/certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute

(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, landline telephone bills, etc.

(ii) In case where the NBFC is satisfied that it is not possible to furnish two such documents, the NBFC may, at its discretion, accept only one of those documents as proof of business/activity, provided that the NBFC undertakes contact point verification

and collects such other information and clarifications as would be required to establish the existence of such firm, and shall confirm and satisfy itself that it has verified the business activity from the address of the proprietary concern.

11.3. CDD Measures for Legal Entities

The NBFC shall obtain certified copies of each of the following documents or the equivalent e-documents thereof from legal entities:

- (a) Certificate of incorporation
- (b) Memorandum and Articles of Association
- (c) PAN of the company
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- (e) Documents relating to beneficial owner, managers, officers or employees holding an attorney to transact on the company's behalf
- (f) The names of the relevant persons holding a senior management position; and
- (g) The registered office and the principal place of its business, if it is different.

11.4. CDD Measures for Partnership Firm

The NBFC shall obtain the certified copies of each of the following documents or the equivalent e-documents thereof from partnership firm:

- (a) Registration certificate
- (b) Partnership deed
- (c) PAN of the partnership firm
- (d) Documents, as specified in paragraph 23, relating to beneficial owner, managers, officers or employees holding an attorney to transact on its behalf
- (e) the names of all the partners and
- (f) address of the registered office, and the principal place of its business, if it is different.

11.5. CDD Measures for Trust

The NBFC shall obtain the certified copies of each of the following documents or the equivalent e-documents thereof:

- (a) Registration certificate
- (b) Trust deed
- (c) PAN or Form No.60 of the trust
- (d) Documents relating to beneficial owner, managers, officers or employees holding an attorney to transact on its behalf

(e) the names of the beneficiaries, trustees, settlor, protector, if any and authors of the trust

(f) the address of the registered office of the trust, and

(g) list of trustees and documents, for those discharging the role as trustee and authorised to transact on behalf of the trust.

11.6. CDD Measures for unincorporated association or a body of individuals

The NBFC shall obtain the certified copies of each of the following documents or the equivalent e-documents thereof:

(a) Resolution of the managing body of such association or body of individuals

(b) PAN or Form No. 60 of the unincorporated association or a body of individuals

(c) Power of attorney granted to transact on its behalf

(d) Documents relating to beneficial owner, managers, officers or employees holding an attorney to transact on its behalf and

(e) Such information as may be required by the NBFC to collectively establish the legal existence of such an association or body of individuals.

Explanation:

(a) Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.

(b) The term 'body of individuals' includes societies.

11.7. CDD Measures for Juridical Person

The NBFC shall obtain and verify the certified copies of the following documents or the equivalent e-documents thereof:

(a) Document showing name of the person authorised to act on behalf of the entity

(b) Documents of the person holding an attorney to transact on its behalf, and

(c) Such documents as may be required by the NBFC to establish the legal existence of such an entity/juridical person.

Explanation:

Juridical Person means societies, universities and local bodies like village panchayats, etc., or which purports to act on behalf of such juridical person or individual or trust.

11.8. Identification of Beneficial Owner

(i) The NBFC shall identify the beneficial owner(s) and shall undertake all reasonable steps in terms of Rule 9(3) of the PMLA Rules to verify their identity, keeping in view the following:

(i) Where the customer or the owner of the controlling interest is:

- (a) an entity listed on a stock exchange in India, or
 - (b) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or
 - (c) it is a subsidiary of such listed entities. It is not necessary to identify and verify the identity of any shareholder or beneficial owner of such entities.
- (ii) In case of trust/nominee or fiduciary accounts, the NBFC shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. In such cases, the NBFC shall obtain satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as well as details of the nature of the trust or other arrangements in place.

Explanation:

- (a) If the customer is a company: The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercises control through other means. "Controlling ownership interest" means ownership of/entitlement to more than 10% of the shares or capital or profits of the company. "Control" means the right to appoint majority of 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) If the customer is a partnership firm: The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10% of capital or profits of the partnership or who exercises control through other means.
- (c) If the customer is an unincorporated association or body of individuals: The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15% of the property or capital or profits of the unincorporated association or body of individuals. The term "body of individuals" includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.
- (d) If the customer is trust: The identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10% 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.

11.9. On-going Due Diligence

(i) The NBFC shall undertake ongoing due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile, the source of funds/wealth. The NBFC shall necessarily monitor the following types of transactions:

(a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.

(b) The cash transactions of Rs.50,000/- and above and account transactions of Rs.10.00 lakh and above.

(ii) The NBFC shall align the extent of monitoring with the risk category of the customer and shall subject high-risk accounts to more intensified monitoring.

11.10. Enhanced Due Diligence for non-face-to-face Customer

Non-face-to-face onboarding facilitates the NBFC to establish a relationship with the customer without meeting the customer physically or through V-CIP. Such non-face-to-face modes include use of digital channels, such as CKYCR, DigiLocker, equivalent e-document, etc., and non-digital modes, such as obtaining copy of OVD certified by additional certifying authorities as allowed for NRIs/PIOs. The NBFC shall undertake the following EDD measures for non-face-to-face customer onboarding:

(i) Once the NBFC has introduced the process of V-CIP, it shall provide the same as the first option to the customer for remote onboarding. It is reiterated that the NBFC shall treat processes complying with prescribed standards and procedures for V-CIP on par with face-to-face CIP.

(ii) The NBFC shall obtain PAN from the customer and verify the same from the verification facility of the issuing authority.

(iii) The NBFC shall categorise such customers as high-risk customers and subject the same to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP.

11.11. CDD Measures for Politically Exposed Persons (PEPs)

(i) The NBFC has in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP.

(ii) The NBFC shall take reasonable measures for establishing the source of funds/wealth.

(iii) The NBFC shall subject the same to enhanced monitoring on an on-going basis.

Explanation:

PEPs are the individuals who are or have been entrusted with prominent public functions by a foreign country, including the heads of states/governments, senior politicians, senior government or judicial or military officers, senior executives of state-owned corporations, and important political party officials

12. Risk Assessment of Customers

(i) The NBFC shall put in place a system of periodic review of risk categorisation of the customers, with such periodicity being at least once in every six months and shall establish the need for applying enhanced due diligence measures.

(ii) The risk categorization of the customer shall be undertaken based on the following:

(a) customer's profile: viz., customer's identity, social/financial status, nature of business activity, customer's business, source of income, residential status, geographical location, etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

(b) customer's financial: viz., legal structure, transparency in ownership, identification of beneficial ownership, business turnover, credit ratings, etc.

(c) credit flagging: types of business operation, types of products/services offered, types of delivery channel used for delivery of products/services, types of transaction undertaken in cash/cheque/monetary instruments/wire transfers/forex transactions, non-face-to face customers, politically exposed persons, etc.

(iii) Broadly, the risk-categorization of customers is as follows:

(a) Low-risk customers: Primary dealers, and FIs regulated by RBI, government departments and government undertakings, insurance companies regulated by IRDA, mutual funds, and portfolio management services regulated by SEBI, listed entities regulated by SEBI, trusts of provident funds, pension funds, gratuity funds, and other superannuation funds recognized by the income tax department.

(b) Medium-risk customers: All individual borrowers in retail portfolio, the customers not falling into high/ low risk categories.

(c) High-risk customers: Politically exposed persons, multi-level marketing companies, dealers in arms/ammunition, dealers in precious metals like gem & jewellery, real estate, auction houses, wilful defaulters, companies prohibited by SEBI from trading in securities, etc.

(iv) FATF statement/standard, the reports and guidance notes on KYC/AML issued by the Indian Banks Association, and other agencies, etc., may also be used in risk assessment.

(v) The risk categorization of a customer and the specific reasons for such categorization shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

13. Updation/Periodic Updation of KYC

(i) The NBFC shall adopt a risk-based approach for updation/periodic updation of KYC, ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is “high” risk.

(ii) The KYC updation of the customers shall be undertaken once in two years, eight years and ten years for the customers in “high”, “medium” and “low” categories respectively, from the last KYC updation. The status of the KYC updation of the customers shall be put up to the senior management and shall be placed before the RMC/Board on a half-yearly basis.

(iii) For the updation/ periodic updation or for verification of identity of a customer, the NBFC shall seek the KYC Identifier from the customer or retrieve the KYC Identifier, if available, from the CKYCR and proceed to obtain KYC records online by using such KYC Identifier and shall not require a customer to submit the same KYC records or information or any other additional identification documents or details.

(iv) For individuals, in case of no change in the KYC information, the NBFC shall obtain a self-declaration from the customer in this regard through the customer’s email-id registered with the NBFC, customer’s mobile number registered with the NBFC, etc.

(v) In case of a change only in the address details of the customer, the NBFC shall obtain a self-declaration of the new address from the customer through customer’s email-id registered with the NBFC, customer’s mobile number registered with the NBFC, and shall verify the declared address through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc.

(vi) The NBFC at its option, may obtain a copy of OVD or equivalent e-documents thereof for the purpose of proof of address, declared by the customer at the time of updation/periodic updation.

(vii) The NBFC may use Aadhaar OTP based e-KYC in non-face-to-face mode for updation/periodic updation.

(viii) Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. The NBFC shall ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer’s profile, to prevent any fraud.

(ix) In case of customers other than individuals, where no change in the KYC information of the LE customer, the NBFC shall obtain a self-declaration in this regard from the LE customer through its email id registered with the NBFC, letter from an official authorised by the LE in this regard, board resolution, etc. Further, the NBFC 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.

(x) In case of customers other than individuals, where there is change in KYC information, the NBFC shall undertake the KYC process equivalent to that applicable for onboarding a new LE customer.

(xi) The NBFC shall ensure that the customer's KYC document as per the current CDD standards available with it. This is applicable even if there is no change in customer information but the documents available with the NBFC are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the NBFC has expired at the time of periodic updation of KYC, the NBFC shall undertake the KYC process equivalent to that applicable for onboarding a new customer.

(xii) The NBFC shall verify the customer's PAN details, if available, from the database of the issuing authority at the time of periodic updation of KYC.

(xiii) The NBFC shall provide acknowledgment to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out updation/periodic updation.

(xiv) The NBFC shall promptly update the information/documents obtained from the customers at the time of updation / periodic updation of KYC in its records / database and provide an intimation, mentioning the date of updation of KYC details, to the customer.

(xv) The NBFC shall advise the customers that to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship/account-based relationship and thereafter, as necessary; customers shall submit to the NBFC the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records at the NBFC's end.

(xvi) The NBFC shall intimate its customers, in advance, to update their KYC. Prior to the due date of periodic updation of KYC, the NBFC shall give at least three advance intimations, including at least one intimation by letter, at appropriate intervals to its

customers through available communication options / channels for complying with the requirement of periodic updation of KYC. After the due date, the NBFC shall give at least three reminders, including at least one reminder by letter, at appropriate intervals, to such customers who have still not complied with the requirements, despite advance intimations. The letter of intimation/reminder may, *inter alia*, contain easy-to-understand instructions for updating KYC, escalation mechanism for seeking help, if required, and the consequences, if any, of failure to update their KYC in time. Issue of such advance intimation / reminder shall be duly recorded in the NBFC's system against each customer for audit trail.

14. Maintenance and Preservation of Record

Under the provisions of the PML Act and PML Rules regarding maintenance, preservation, and reporting of customer information, the NBFC shall:

- (i) maintain all necessary records of transactions between the NBFC and its customers, both domestic and international, for at least five years from the date of transaction.
- (ii) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during business relationship, for at least 5 years after the business relationship is ended.
- (iii) make available swiftly, the identification records and transaction data to the competent authorities upon request
- (iv) 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)
- (v) maintain all necessary information in respect of transactions prescribed under PML Rule 3, to permit reconstruction of individual transactions, including the following:
 - (a) nature of the transactions
 - (b) amount of the transaction and the currency in which it was denominated
 - (c) date on which the transaction was conducted, and
 - (d) parties to the transaction.
- (vi) 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
- (vii) 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.

Explanation:

The expressions 'records' pertaining to the identification, identification records, etc., shall include updated records of the identification data, account files, business correspondence and results of any analysis undertaken.

(viii) ensure that the details of the customers are registered on the DARPAN Portal of NITI Aayog, in case of customers who are non-profit organizations. If the same are not registered, the NBFC shall register the details on the DARPAN Portal and shall also maintain such registration records for a period of five years after the business relationship between the customer and the NBFC has ended or the account has been closed, whichever is later.

(ix) maintain secrecy regarding the customer information which arises out of the contractual relationship between the NBFC and its customer. While considering the requests for data/information from government and other agencies, the NBFC shall satisfy themselves that the information being sought is not of such nature as will violate the provisions of the laws relating to secrecy in the transactions. The exceptions to the said rule shall be as under:

- (a) where disclosure is under compulsion of law,
- (b) where there is a duty to the public to disclose,
- (c) interest of the NBFC requires disclosure, or
- (d) where the disclosure is made with the express or implied consent of the customer.

15. Reporting to Financial Intelligence Unit-India (FIU-IND)

(i) The principal officer of the NBFC shall furnish to the director, FIU-IND the information referred to in Rule 3 of the PML Rules in terms of Rule 7 thereof.

(ii) 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 PML Rules shall be constituted as a separate violation.

(iii) The NBFC, its directors, officers, and all employees shall ensure that the maintenance of records referred to in Rule 3 of the PML Rules and furnishing of the information to the director is confidential. However, such confidentiality requirement shall not inhibit sharing of information, for any analysis of transactions and activities which appear unusual, if any such analysis has been done.

(iv) The NBFC shall make use of the editable electronic utilities to file electronic cash transaction reports (CTR)/suspicious transaction reports (STR) placed on its website <http://fiuindia.gov.in> by FIU-IND.

(v) The NBFC shall install suitable technological tools for extracting CTR/STR from its live transaction data, after full automation of its operations.

(vi) A robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions.

16. Compliance with the KYC & AML Policy

The NBFC shall ensure compliance with KYC & AML Policy through:

(i) the designated director and principal officer for effective implementation of policies and procedures.

(ii) independent evaluation of the compliance functions of the KYC & AML policies and procedures, including legal and regulatory requirements.

(iii) verification of the compliance with KYC & AML policies and procedures by the internal audit, and

(iv) submission of quarterly audit notes and compliance to the Audit Committee of the Board.

17. Review/Renewal of KYC & AML Policy

The Board shall review the KYC & AML Policy on an annual basis, or more frequently, keeping in view the changes in regulations.

Annexure-1: Obligations under International Agreements

1. Obligations under the Unlawful Activities (Prevention) Act, 1967 (UAPA)

(i) The NBFC shall ensure that in terms of section 51A of the UAPA and amendments thereto, it doesn't 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 (given at Annexure-2) are as under:

(a) The "ISIL (Da'esh) & Al-Qaida Sanctions List", established and maintained pursuant to Security Council Resolutions 1267/1989/2253, which includes names of individuals and entities associated with the Al-Qaida is available at https://www.un.org/securitycouncil/sanctions/1267/aq_sanctions_list

(b) The "Taliban Sanctions List" established and maintained pursuant to Security Council Resolution 1988 (2011), which includes names of individuals and entities associated with the Taliban is available at <https://www.un.org/securitycouncil/sanctions/1988/materials>

(ii) The NBFC shall verify on daily basis lists in the first schedule and the fourth schedule of UAPA, 1967 and the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time, for compliance with the government orders on implementation of section 51A of the UAPA and section 12A of the WMD Act.

(iii) The 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 (MHA), as required under UAPA notification dated February 2, 2021. The list of Nodal Officers for UAPA is available on the website of MHA.

(iv) The NBFC shall undertake countermeasures, when called upon to do so by any international or inter-governmental organisation, of which India is a member and accepted by the central government.

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

(i) The NBFC shall ensure compliance with the procedure for implementation of section 12A of the WMD Act laid down in terms of section 12A of the WMD Act vide order dated September 1, 2023, by the Ministry of Finance, Government of India.

(ii) In accordance with paragraph 3 of the order, the NBFC shall ensure not to carry out transactions in case the particulars of the individual/entity match with the particulars in the designated list.

(iii) The NBFC shall run a check on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial assets, etc.

(iv) In case of match in the above cases, the NBFC shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved, to the Central Nodal Officer (CNO), designated as the authority to exercise powers under section 12A of the WMD Act. A copy of the communication shall be sent to State Nodal Officer (SNO), where the account/transaction is held and to the RBI. It may be noted that in terms of paragraph 1 of the order, the director, FIU- India has been designated as the CNO.

(v) The NBFC shall refer to the designated list, as amended from time to time, available on the portal of FIU-India.

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

3. UNSCR 1718 Sanctions List of Designated Individuals and Entities

The NBFC shall verify on a daily basis, the UNSCR 1718 Sanctions List of Designated Individuals and Entities, as available at: <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>,

and consider any modifications to the list in terms of additions, deletions or other changes and ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017', as amended from time to time by the central government.

4. Jurisdictions that do not or insufficiently apply the FATF Recommendations

(i) The NBFC shall apply enhanced due diligence measures, which are effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries, for which this is called for by the FATF. The FATF statements circulated by RBI from time to time, and publicly

available information for identifying countries, which do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF statements, shall be taken into consideration for this purpose.

(ii) The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to RBI and other relevant authorities, on request.

Annexure-2: UNSC Sanctions

The Security Council can take action to maintain or restore international peace and security under Chapter VII of the United Nations Charter. The Sanctions measures, under Article 41, encompass a broad range of enforcement options that do not involve the use of armed force. Since 1966, the Security Council has established 31 Sanctions regimes, in Southern Rhodesia, South Africa, the former Yugoslavia (2), Haiti (2), Angola, Liberia (3), Eritrea/Ethiopia, Rwanda, Sierra Leone, Côte d'Ivoire, Iran, Somalia/Eritrea, ISIL (Da'esh) and Al-Qaida, Iraq (2), Democratic Republic of the Congo, Sudan, Lebanon, Democratic People's Republic of Korea, Libya (2), Taliban, Guinea-Bissau, Central African Republic, Yemen, South Sudan, and Mali.

The Security Council Sanctions have taken different forms, in pursuit of a variety of goals. The measures have ranged from comprehensive economic and trade sanctions to more targeted measures such as arms embargoes, travel bans, and financial or commodity restrictions. The Security Council has applied Sanctions to support peaceful transitions, deter non-constitutional changes, constrain terrorism, protect human rights, and promote non-proliferation.

The Sanctions do not operate, succeed, or fail in a vacuum. The measures are most effective at maintaining or restoring international peace and security when applied as part of a comprehensive strategy encompassing peacekeeping, peace-building and peace-making. Contrary to the assumption that Sanctions are punitive, many regimes are designed to support governments and regions working towards peaceful transition. The Libyan and Guinea-Bissau Sanctions regimes all exemplify this approach.

Presently, there are 15 ongoing Sanctions regimes which focus on supporting political settlement of conflicts, nuclear non-proliferation, and counterterrorism. Each regime is administered by a Sanctions Committee chaired by a non-permanent member of the Security Council. There are 11 monitoring groups, teams and panels that support the work of 12 of the 15 Sanctions Committees. In the 2005 World Summit declaration, the General Assembly called on the Security Council, with the support of the Secretary-General, to ensure that fair and clear procedures are in place for the imposition and lifting of Sanctions measures. The establishment of a focal point for de-listing, and the Office of the Ombudsperson to the ISIL (Da'esh), Al-Qaida, & Taliban Sanctions

Committee are examples of this approach in practice.

