



RAR FINCARE LIMITED  
KYC AML POLICY

<b>RAR FINCARE LIMITED</b>	
<b>POLICY</b>	KYC AML Policy
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## Introduction

RBI has announced comprehensive KYC policies for Financial Institutions in the context of Prevention of Money-Laundering Act, 2002, the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India and Aadhaar and other Laws (amendment) Ordinance, 2019 as notified by the Government of India.

In view of the RBI Master Direction – RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16, RAR Fincare Limited (“**RAR Fincare**” or “**Company**”)has adopted a comprehensive KYC and AML policy with suitable modifications depending on the business activity undertaken by it. The policy has been put in place after being duly approved by its Board of Directors.

## Definitions

### Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

- i. Aadhaar number” shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);
- ii. “Act” and “Rules” means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto
- iii. “Authentication”, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016
- iv. Beneficial Owner (BO): shall have the meaning as per table below
  - a. Where the **customer is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

    - i. “Controlling ownership interest” means ownership of/entitlement to more than 10 percent of the shares or capital or profits of the company.
    - ii. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
  - b. Where the **customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 10 percent of capital or profits of the partnership or who exercises control through other means.

Explanation - For the purpose of this sub-clause, “control” shall include the right to control the management or policy decision.
  - c. Where the **customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 percent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

- d. Where the customer is a **trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 10 percent 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.
- v. "Certified Copy" - Obtaining a certified copy by RAR Fincare Limited shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorized officer of RAR Fincare Limited as per the provisions contained in the Act

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

- Authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
  - Branches of overseas banks with whom Indian banks have relationships,
  - Notary Public abroad,
  - Court Magistrate,
  - Judge,
  - Indian Embassy/Consulate General in the country where the non-resident customer resides
- vi. "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
- vii. "Designated Director" means a person designated by RAR Fincare Limited to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:
- a. the Managing Director or a whole-time Director, duly authorized by the Board of Directors

Mr. Govindarajulu Rajendran Ananthapadmanabhan shall be the 'Designated Director of the Company for the purposes of this Policy.

*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, 2013.*

viii. Digital KYC" means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, 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 authorised officer of the RE as per the provisions contained in the Act.

ix. Digital Signature" shall have the same meaning as assigned to it in clause (p) of sub-section (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).

x. Equivalent e-document” means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.

xi “Group” – The term “group” shall have the same meaning assigned to it in clause (e) of sub-section (9) of section 286 of the Income-tax Act,1961 (43 of 1961).

xii. “Know Your Client (KYC) Identifier” means the unique number or code assigned to a customer by the Central KYC Records Registry.

xiii. “Non-profit organisations” (NPO) means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013 (18 of 2013).

xiv. “Officially Valid Document” (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,

- a. Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India
- b. Where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address: -
  - i. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
  - ii. Property or Municipal tax receipt;
  - iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
  - iv. 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;
- c. The customer shall submit OVD with current address within a period of three months of submitting the documents specified at ‘b’ above
- d. Where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address

*Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.*

- xv. "Offline verification" shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- xvi. "Person" has the same meaning assigned in the Act and includes:
- a. an individual,
  - b. a Hindu undivided family,
  - c. a company,
  - d. a firm,
  - e. an association of persons or a body of individuals, whether incorporated or not,
  - f. every artificial juridical person, not falling within any one of the above persons (a to e), and
  - g. any agency, office or branch owned or controlled by any of the above persons (a to f)
- f"Principal Officer" means an officer at the management level nominated by RAR Fincare Limited, responsible for furnishing information as per rule 8 of the Rules
- xvii. "Suspicious transaction" means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:
- a. 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
  - b. Appears to be made in circumstances of unusual or unjustified complexity; or
  - c. Appears to not have economic rationale or bona-fide purpose; or
  - d. Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism
- Explanation: 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.*
- xviii. "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- a. Opening of an account;
  - b. Deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
  - c. The use of a safety deposit box or any other form of safe deposit;
  - d. Entering any fiduciary relationship.
  - e. Any payment made or received, in whole or in part, for any contractual or other legal obligation; or
  - f. Establishing or creating a legal person or legal arrangement

**Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:**

- i. "Common Reporting Standards" (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters

- ii. Correspondent Banking: Correspondent banking is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). Respondent banks may be provided with a wide range of services, including cash management (e.g., interest-bearing accounts in a variety of currencies), international wire transfers, cheque clearing, payable-through accounts and foreign exchange services.
- iii. “Customer” means a person who is engaged in a financial transaction or activity with RAR Fincare Limited and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting
- iv. “Walk-in Customer” means a person who does not have an account-based relationship with RAR Fincare Limited, but undertakes transactions with RAR Fincare Limited
- v. “Customer Due Diligence (CDD)” means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.
  - a. Explanation – The CDD, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or any international money transfer operations, shall include:
  - b. Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose and intended nature of the business relationship, where applicable
  - c. Taking reasonable steps to understand the nature of the customer's business, and its ownership and control;
  - d. Determining whether a customer is acting on behalf of a beneficial owner, and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.
- vi. “Customer identification” means undertaking the process of CDD
- vii. “FATCA” means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest
- viii. “IGA” means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA
- ix. “KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities
- x. “Non-face-to-face customers” means customers who open accounts without visiting the branch/offices of RAR Fincare Limited or meeting the officials of RAR Fincare Limited
- xi. “On-going Due Diligence” means regular monitoring of transactions in accounts to ensure that those are consistent RAR Fincare Limited’s knowledge customers, customers’ business and risk profile and source of funds/wealth
- xii. Payable-through accounts: The term payable-through accounts refers to correspondent accounts that are used directly by third parties to transact business on their own behalf.
- xiii. “Periodic Updation” means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank
- xiv. Regulated Entities” (REs) means
  - a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative



- Banks (StCBs / CCBs) and any other entity which has been licenced under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as ‘banks’
- b. All India Financial Institutions (AIFIs)
  - c. All Non-Banking Finance Companies (NBFCs), Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs)
  - d. Asset Reconstruction Companies (ARCs)
  - e. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
  - f. All authorised persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.
- xv. Shell Bank” means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence.
- xvi. Video based Customer Identification Process (V-CIP)”: an alternate method of customer identification with facial recognition and customer due diligence by an authorised official of the RE 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 shall be treated on par with face-to-face CIP for the purpose of this Master Direction.
- xvii. Wire transfer” related definitions:
- a. Batch transfer: Batch transfer is a transfer comprised of a number of individual wire transfers that are being sent to the same financial institutions but may/may not be ultimately intended for different persons.
  - b. Beneficiary: Beneficiary refers to a natural or legal person or legal arrangement who / which is identified by the originator as the receiver of the requested wire transfer.
  - c. Beneficiary RE: It refers to a financial institution, regulated by the RBI, which receives the wire transfer from the ordering financial institution directly or through an intermediary RE and makes the funds available to the beneficiary.
  - d. Cover Payment: Cover Payment refers to a wire transfer that combines a payment message sent directly by the ordering financial institution to the beneficiary financial institution with the routing of the funding instruction (the cover) from the ordering financial institution to the beneficiary financial institution through one or more intermediary financial institutions.
  - e. Cross-border wire transfer: Cross-border wire transfer refers to any wire transfer where the ordering financial institution and beneficiary financial institution are located in different countries. This term also refers to any chain of wire transfer in which at least one of the financial institutions involved is located in a different country.
  - f. Domestic wire transfer: Domestic wire transfer refers to any wire transfer where the ordering financial institution and beneficiary financial institution are located in India. This term, therefore, refers to any chain of wire transfer that takes place entirely within the borders of India, even though the system used to transfer the payment message may be located in another country.

- g. Financial Institution: In the context of wire-transfer instructions, the term 'Financial Institution' shall have the same meaning as has been ascribed to it in the FATF Recommendations, as revised from time to time.
- h. Intermediary RE: Intermediary RE refers to a financial institution or any other entity, regulated by the RBI which handles an intermediary element of the wire transfer, in a serial or cover payment chain and that receives and transmits a wire transfer on behalf of the ordering financial institution and the beneficiary financial institution, or another intermediary financial institution.
- i. Ordering RE: Ordering RE refers to the financial institution, regulated by the RBI, which initiates the wire transfer and transfers the funds upon receiving the request for a wire transfer on behalf of the originator.
- j. Originator: Originator refers to the account holder who allows the wire transfer from that account, or where there is no account, the natural or legal person that places the order with the ordering financial institution to perform the wire transfer.
- k. Serial Payment: Serial Payment refers to a direct sequential chain of payment where the wire transfer and accompanying payment message travel together from the ordering financial institution to the beneficiary financial institution directly or through one or more intermediary financial institutions (e.g., correspondent banks).
- l. Straight-through Processing: Straight-through processing refers to payment transactions that are conducted electronically without the need for manual intervention.
- m. Unique transaction reference number: Unique transaction reference number refers to a combination of letters, numbers or symbols, determined by the payment service provider, in accordance with the protocols of the payment and settlement system or messaging system used for the wire transfer.
- n. Wire transfer: Wire transfer refers to any transaction carried out on behalf of an originator through a financial institution by electronic means with a view to making an amount of funds available to a beneficiary at a beneficiary financial institution, irrespective of whether the originator and the beneficiary are the same person.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the <sup>30</sup>Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

## General

As per extant RBI Guidelines RAR Fincare Limited's KYC policy includes following four key elements:

- a. Customer Acceptance Policy
- b. Risk Management
- c. Customer Identification Procedures (CIP)
- d. Monitoring of transactions

### **Money Laundering and Terrorist Financing Risk Assessment by REs:**

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

The assessment process should 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, REs shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with REs from time to time.

- b. The risk assessment by the RAR Fincare Limited shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the RAR Fincare Limited. RAR Fincare Limited will undertake the risk assessment exercise annually
- c. The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and will be available to competent authorities and self-regulating bodies.

RAR Fincare Limited follows a Risk Based Approach (RBA) for mitigation and management of the risks. RAR Fincare will adhere to a CDD program, having regard to ML/TF risks identified and the size of business. Further, RAR Fincare Limited shall monitor the implementation of the controls and enhance them if necessary.

## Designated Director

- a. A "Designated Director" means a person designated by the NBFC to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board
- b. The name, designation and address of the Designated Director shall be communicated to the FIU-IND
- c. In no case, the Principal Officer shall be nominated as the 'Designated Director'

## Principal Officer

- a. The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations
- b. The name, designation and address of the Principal Officer shall be communicated to the FIU-IND

Further, the name, designation, address and contact details of the Principal Officer shall also be communicated to the RBI.

The Company shall appoint a Senior Management Officer to be designated as Principal Officer (PO) and the role and responsibilities of the PO have been detailed therein. With a view to enable the PO to discharge his responsibilities, the PO and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information. Further, the Company shall ensure that the PO is able to act independently and report directly to the Senior Management or to the Board of Directors. The role and responsibilities of the PO should include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time. The PO for the Company is Mr. Venkatasubramanian Ramanathan.

#### Compliance of KYC Policy

- a. RAR FINCARE LIMITED shall ensure compliance with KYC Policy through:
  - I. Specifying as to who constitute 'Senior Management' for the purpose of KYC compliance
  - II. Allocation of responsibility for effective implementation of policies and procedures
  - III. Independent evaluation of the compliance functions of RAR Fincare Limited's policies and procedures, including legal and regulatory requirements
  - IV. Concurrent/internal audit system to verify the compliance with KYC/AML policies and procedures
  - V. Submission of quarterly audit notes and compliance to the Audit Committee
- b. RAR Fincare Limited shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced

#### Customer Acceptance Policy

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, RAR Fincare Limited shall ensure that:

- a. No account is to be opened in anonymous or fictitious/benami name(s)/entity(ies)
- b. No account is opened where RAR Fincare Limited is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. RAR Fincare Limited shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.
- c. No transaction or account-based relationship is undertaken without following the CDD procedure
- d. The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- e. Additional information, where such information requirement has not been specified in the internal KYC Policy of the RAR Fincare Limited, is obtained with the explicit consent of the customer.
- f. RAR Fincare Limited shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of RAR Fincare Limited desires to open another account or avail any other

product or service from RAR Fincare Limited, there shall be no need for a fresh CDD exercise as far as identification of the customer is concerned.

- g. CDD Procedure is followed for all the joint account holders, while opening a joint account
- h. Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- i. suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists indicated in Chapter IX of this MD.
- j. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- k. Where an equivalent e-document is obtained from the customer, RAR Fincare Limited shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- l. Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.
- m. Appropriate Enhanced Due Diligence (EDD) measures shall be adopted for high risk customers from AML perspective, especially those for whom the sources of funds are not clear, transactions carried through correspondent accounts and customers who are Politically Exposed Persons (PEPs) and their family members/close relatives

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

Where RAR Fincare Limited 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.

## Risk Management

RAR Fincare Limited has a risk-based approach which includes the following: -

- a. Customers shall be categorized as **low, medium, high and Very High**-risk category, based on the assessment and risk perception of the Company
- b. Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the customer's' business and their location , geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken – cash, cheque/monetary instruments, wire transfers, forex transactions 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. Further, High risk accounts have to be subjected to more intensified monitoring.
- c. The risk categorisation of a customer and the specific reasons for such categorisation shall be kept confidential and shall not be revealed to the customer to avoid tipping off the customer.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

Explanation: FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Banks Association (IBA), and other agencies, etc., may also be used in risk assessment.

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

RAR Fincare Limited shall undertake identification of customers in the following cases:

- a. Commencement of an account-based relationship with the customer
- b. Carrying out any international money transfer operations for a person who is not an account holder of RAR Fincare Limited
- c. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained
- d. Selling third party products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees fifty thousand
- e. Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to or exceeds rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected
- f. When RAR Fincare Limited has reason to believe that a customer (account-based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand
- g. RAR Fincare Limited shall ensure that introduction is not to be sought while opening accounts.

To verify the identity of customers at the time of commencement of an account-based relationship, RAR Fincare Limited, shall at its option, rely on customer due diligence done by a third party, subject to the following conditions:

- a. Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry
- b. Adequate steps are taken by RAR Fincare Limited to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay
- c. The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act
- d. The third party shall not be based in a country or jurisdiction assessed as high risk
- e. The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with RAR Fincare Limited.

### **Customer Due Diligence Procedure (CDD)**

#### **Part 1: CDD Procedure in case of Individuals**

For undertaking CDD, RAR Fincare Limited shall obtain the following from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity:

(a) the Aadhaar number where,

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

- ii. he decides to submit his Aadhaar number voluntarily to a bank or any RE notified under first proviso to sub-section (1) of section 11A of the PML Act; or
  - (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
  - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; or
  - <sup>53</sup>(ac) the KYC Identifier with an explicit consent to download records from CKYCR; and
- (b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- (c) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the RE:

Provided that where the customer has submitted,

- i) Aadhaar number under clause (a) above to a bank or to a RE notified under first proviso to sub-section (1) of section 11A of the PML Act, such bank or RE shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the RE.
- ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the RE shall carry out offline verification.
- iii) an equivalent e-document of any OVD, the RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under [Annex I](#).
- iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the RE shall carry out verification through digital KYC as specified under [Annex I](#).
- v) KYC Identifier under clause (ac) above, the RE shall retrieve the KYC records online from the CKYCR

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

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, RAR Fincare Limited shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the RAR Fincare

Limited and such exception handling shall also be a part of the concurrent audit as mandated in paragraph 8 of RBI's Master Direction – Know Your customer Direction (2016). REs shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the RE and shall be available for supervisory review.

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

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

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

Accounts opened using Aadhar OTP based e-KYC, in non-face-to-face mode are subject to the following conditions:

- There must be specific consent from the customer for authentication through OTP
- As a risk-mitigating measure for such accounts, RAR Fincare Limited shall ensure that transaction alerts, OTP, etc., are sent only to the mobile number of the customer registered with Aadhaar. RAR Fincare Limited shall have a board approved policy delineating a robust process of due diligence for dealing with requests for change of mobile number in such accounts.
- As regards borrowed accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year
- Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per paragraph 16 of RBI's Master Direction – Know Your customer Direction (2016). or as per paragraph 18 (V-CIP) of RBI's Master Direction – Know Your customer Direction (2016). is carried out. If Aadhaar details are used under paragraph 18 of RBI's Master Direction – Know Your customer Direction (2016). the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
- Borrowed accounts, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 1 is to be carried out
- If the CDD procedure as mentioned above is not completed within a year, no further debits shall be allowed
- 12A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other REs. Further, while uploading KYC information to CKYCR, RAR Fincare Limited shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.



- RAR Fincare Limited shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above-mentioned conditions.

RAR Fincare Limited may undertake V-CIP to carry out:

i) CDD in case of new customer on boarding for individual customers, proprietor in case of proprietorship firm, authorised signatories and Beneficial Owners (BOs) in case of Legal Entity (LE) customers.

Provided that in case of CDD of a proprietorship firm, RAR Fincare Limited shall also obtain the equivalent e-document of the activity proofs with respect to the proprietorship firm, as mentioned in paragraph 28 and paragraph 29, apart from undertaking CDD of the proprietor.

ii) Conversion of existing accounts opened in non-face to face mode using Aadhaar OTP based e-KYC authentication as per paragraph 17.

iii) Updation/ Periodic updation of KYC for eligible customers.

RAR Fincare Limited as when opting to undertake V-CIP, shall adhere to the following minimum standards:

**(a) V-CIP Infrastructure**

i) RAR Fincare Limited will comply with the RBI guidelines on minimum baseline cyber security and resilience framework for banks, as updated from time to time as well as other general guidelines on IT risks. The technology infrastructure should be housed in own premises of the RE and the V-CIP connection and interaction shall necessarily originate from its own secured network domain. Any technology related outsourcing for the process should be compliant with relevant RBI guidelines. <sup>60</sup>Where cloud deployment model is used, it shall be ensured that the ownership of data in such model rests with the RE only and all the data including video recording is transferred to the RE's exclusively owned / leased server(s) including cloud server, if any, immediately after the V-CIP process is completed and no data shall be retained by the cloud service provider or third-party technology provider assisting the V-CIP of the RAR Fincare Limited.

ii) RAR Fincare Limited shall ensure end-to-end encryption of data between customer device and the hosting point of the V-CIP application, as per appropriate encryption standards. The customer consent should be recorded in an auditable and alteration proof manner.

iii) The V-CIP infrastructure / application should be capable of preventing connection from IP addresses outside India or from spoofed IP addresses.

iv) The video recordings should contain the live GPS co-ordinates (geo-tagging) of the customer undertaking the V-CIP and date-time stamp. The quality of the live video in the V-CIP shall be adequate to allow identification of the customer beyond doubt.

v) The application shall have components with face liveness / spoof detection as well as face matching technology with high degree of accuracy, even though the ultimate responsibility of any customer identification rests with the RE. Appropriate artificial intelligence (AI) technology can be used to ensure that the V-CIP is robust.

vi) Based on experience of detected / attempted / 'near-miss' cases of forged identity, the technology infrastructure including application software as well as work flows shall be regularly upgraded. Any detected case of forged identity through V-CIP shall be reported as a cyber event under extant regulatory guidelines.

vii) <sup>61</sup>The V-CIP infrastructure shall undergo necessary tests such as Vulnerability Assessment, Penetration testing and a Security Audit to ensure its robustness and end-to-end encryption capabilities. Any critical gap reported under this process shall be mitigated before rolling out its implementation. Such tests should be conducted by the empanelled auditors of Indian Computer Emergency Response Team (CERT-In). Such tests should also be carried out periodically in conformance to internal / regulatory guidelines.

viii) The V-CIP application software and relevant APIs / webservice shall also undergo appropriate testing of functional, performance, maintenance strength before being used in live environment. Only after closure of any critical gap found during such tests, the application should be rolled out. Such tests shall also be carried out periodically in conformity with internal/ regulatory guidelines.

#### **(b) V-CIP Procedure**

i) RAR Fincare Limited shall formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of the RAR Fincare Limited specially trained for this purpose. The official should be capable to carry out liveness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon it.

ii) Disruption of any sort including pausing of video, reconnecting calls, etc., should not result in creation of multiple video files. If pause or disruption is not leading to the creation of multiple files, then there is no need to initiate a fresh session by RAR Fincare Limited. However, in case of call drop / disconnection, fresh session shall be initiated.

iii) The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.

iv) Any prompting observed at end of customer shall lead to rejection of the account opening process.

v) The fact of the V-CIP customer being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of work-flow.

vi) The authorised official of the RE performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:

- a. OTP based Aadhaar e-KYC authentication
- b. Offline Verification of Aadhaar for identification
- c. KYC records downloaded from CKYCR, in accordance with paragraph 56, using the KYC identifier provided by the customer

- d. Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through DigiLocker

RE shall ensure to redact or blackout the Aadhaar number in terms of paragraph 16.

In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than three working days from the date of carrying out V-CIP.

Further, in line with the prescribed period of three working days for usage of Aadhaar XML file / Aadhaar QR code, REs shall ensure that the video process of the V-CIP is undertaken within three working days of downloading / obtaining the identification information through CKYCR / Aadhaar authentication / equivalent e-document, if in the rare cases, the entire process cannot be completed at one go or seamlessly. However, RAR Fincare Limited shall ensure that no incremental risk is added due to this.

vii) If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.

viii) RAR Fincare Limited shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority including through DigiLocker.

ix) Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.

x) The authorised official of the RAR Fincare Limited shall ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.

xi) Assisted V-CIP shall be permissible when banks take help of Business Correspondents (BCs) facilitating the process only at the customer end. Banks shall maintain the details of the BC assisting the customer, where services of BCs are utilized. The ultimate responsibility for customer due diligence will be with the bank.

xii) All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.

xiii) All matters not specified under the paragraph but required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the RE.

#### **(c) V-CIP Records and Data Management**

i) The entire data and recordings of V-CIP shall be stored in a system / systems located in India. REs shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search. The extant instructions on record management, as stipulated in this MD, shall also be applicable for V-CIP.

ii) The activity log along with the credentials of the official performing the V-CIP shall be preserved.

**Simplified procedure for opening accounts:** In case a person who desires to open an account is not able to produce documents as specified in paragraph 16 of RBI's Master Direction – Know Your Customer Directions 2016, RAR Fincare Limited may at its discretion open accounts subject to the following conditions:

- a. A self-attested photograph from the customer shall be obtained
- b. The designated officer of RAR Fincare Limited certifies under his signature that the person opening the account has affixed his signature or thumb impression in his presence
- c. The account shall remain operational initially for a period of twelve months, within which CDD as per paragraph 16 or paragraph 18 of RBI's Master Direction on Know Your Customer Directions 2016 shall be carried out.
- d. The account shall be monitored and when there is suspicion of ML/TF activities or other high-risk scenarios, the identity of the customer shall be established as per paragraph 16 or paragraph 18 of RBI's Master Direction on Know Your Customer Directions 2016

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

#### **Part 2: CDD Measures for Sole Proprietary firms**

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

In addition to the above, any two of the following documents or the equivalent e-documents there of as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- a. Registration certificate including Udyam Registration Certificate (URC) issued by the Government.
- b. Certificate/license issued by the municipal authorities under Shop and Establishment Act
- c. Sales and income tax returns
- d. CST/VAT/ GST certificate (provisional/final)
- e. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities
- f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT or license/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.

In cases where RAR Fincare Limited is satisfied that it is not possible to furnish two such documents, RAR Fincare Limited may, at its discretion, accept only one of those documents as proof of business/activity.

Provided RAR Fincare Limited undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

### Part 3: CDD Measures for Sole Legal Entities

For opening an account of a company, certified copies or the equivalent e-documents thereof of each of the following documents shall be obtained:

- a. Certificate of incorporation
- b. Memorandum and Articles of Association
- c. Permanent Account Number of the company
- d. A resolution from the Board of Directors and/or power of attorney granted to its managers, officers or employees to transact on its behalf
- e. Documents, as specified in paragraph 16 of RBI's Master Direction on Know Your Customer (KYC )Direction 2016, relating to Beneficial Owner , the managers, officers, or employees as the case maybe , holding an attorney to transact on the company's behalf
- f. the names of the relevant persons holding senior management position; and
- g. the registered office and the principal place of its business, if it is different.

For opening an account of a partnership firm, the certified copies of each of the following documents or the equivalent e documents thereof shall be obtained:

- a. Registration certificate
- b. Partnership deed
- c. Permanent Account Number of the partnership firm
- d. Documents, as specified in paragraph 16 of RBI's Master Direction on Know Your Customer (KYC )Direction 2016 relating to beneficial owner, managers, Officers or employees as the case maybe 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 business, if it is different.

For opening an account of a trust, certified copies of each of the following documents shall be obtained:

- a) Registration certificate
- b) Trust deed
- c) Permanent Account Number or Form No.60 of the trust
- d) Documents, as specified in paragraph 16 of RBI's Master Direction on Know Your Customer (KYC )Direction 2016 , relating to beneficial owner, managers, officers or employees, as the case may be, 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, as specified in paragraph 16, of RBI's Master Direction on Know Your Customer (KYC )Direction 2016 for those discharging the role as trustee and authorised to transact on behalf of the trust.

For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents shall be obtained:

- a) Resolution of the managing body of such association or body of individuals
- b) Permanent Account Number or Form No. 60 of the unincorporated association or a body of individuals
- c) Power of attorney granted to transact on its behalf

- d) Documents, as specified in Paragraph 16 of RBI's Master Direction on Know Your Customer (KYC) Direction 2016, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and
- e) Such information as may be required by RAR Fincare Limited to collectively establish the legal existence of such an association or body of individuals

*Explanation: Unregistered trusts/partnership firms shall be included under the term 'unincorporated association'.*

*Explanation: Term 'body of individuals' includes societies*

For opening accounts of a customer who is a juridical person (not specifically covered in the earlier part), such as societies, universities and local bodies like village panchayats etc., or who purports to act on behalf of such juridical person or individual or trust, certified copies of the following documents or the equivalent e-documents thereof shall be obtained and verified

- a) Document showing name of the person authorized to act on behalf of the entity
- b) Documents, as specified in paragraph 16 of RBI's Master Direction on Know Your Customer (KYC) Direction 2016 of, of the person holding an attorney to transact on its behalf and
- c) Such documents as may be required by RAR Fincare Limited to establish the legal existence of such an entity/juridical person.

Provided that in case of a trust, the RE shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions as specified in clauses (b), (e) and (f) of paragraph 13 of RBI's Master Direction – Know Your Customer Direction 2016.

#### **Part 4: Identification of Beneficial Owner**

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9(3) of the PML Rules 2005 to verify his/her identity shall be undertaken keeping in view the following:

- a) Where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) 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 companies
- b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

## Part 5: On-going Due Diligence

RAR FINCARE LIMITED shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business, risk profile, the source of funds / wealth.

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

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

- a. A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place
- b. The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored

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

## Updation/Periodic Updation

RAR Fincare Limited shall adopt a risk-based approach for 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. However, periodic updation shall be carried out at least once in every two years for high-risk customers, once in every eight years for medium risk customers and once in every ten years for low-risk customers from the date of opening of the account / last KYC updation.

### a) Individuals:

- i. **No change in KYC information:** In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer's email-id registered with the RE, customer's mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter, etc.
- ii. **Change in address:** In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered with the RE, customer's mobile number registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter, etc., and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, deliverables, etc. Further, RAR Fincare Limited, at its option, may obtain a copy of OVD or deemed OVD, as defined in paragraph 3(a)(xiv), (of Know Your Customer Directions (2016) or the equivalent e-documents thereof, as defined in paragraph 3(a)(x) (of Know Your Customer Directions (2016), for the purpose of proof of address, declared by the customer at the time of updation/ periodic updating.
- iii. **Accounts of customers, who were minor at the time of opening account, on their becoming major:** In case of customers for whom account was opened when they were minor, fresh photographs shall be obtained on their becoming a major and at that time it shall be ensured that CDD documents as per the current CDD standards are available with the REs. Wherever required, REs may carry out fresh KYC of such customers i.e., customers for whom account was opened when they were minor, on their becoming a major.
- iv. Aadhaar OTP based e-KYC in non-face to face mode may be used for updation / periodic updation. To clarify, conditions stipulated in paragraph 17 (of Know Your Customer Directions

(2016)) are not applicable in case of updation / periodic updation of KYC through Aadhaar OTP based e-KYC in non-face to face mode.

- v. Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. REs shall ensure that the mobile number for Aadhaar authentication is same as the one available with them in the customer's profile, in order to prevent any fraud.

**b) Customers other than individuals:**

- i. **No change in KYC information:** In case of no change in the KYC information of the LE customer, a self-declaration in this regard shall be obtained from the LE customer through its email id registered with the RE, ATMs, digital channels (such as online banking / internet banking, mobile application of RE), letter from an official authorized by the LE in this regard, board resolution, etc. Further, RAR Fincare Limited shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.
- ii. **Change in KYC information:** In case of change in KYC information, RAR Fincare Limited shall undertake the KYC process equivalent to that applicable for on-boarding a new LE customer.

**c) Additional measures:** In addition to the above, RAR Fincare Limited shall ensure that,

- i. The KYC documents of the customer as per the current CDD standards are available with them. This is applicable even if there is no change in customer information but the documents available with the RE are not as per the current CDD standards. Further, in case the validity of the CDD documents available with RAR has expired at the time of periodic updation of KYC, RAR shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
- ii. Customer's PAN details, if available with RAR, is verified from the database of the issuing authority at the time of periodic updation of KYC.
- iii. Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out updation/ periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of updation/ periodic updation of KYC are promptly updated in the records / database of the REs and an intimation, mentioning the date of updation of KYC details, is provided to the customer.
- iv. In order to ensure customer convenience, RAR may consider making available the facility of updation/ periodic updation of KYC at any branch/office, in terms of their internal KYC policy duly approved by the Board of Directors of RAR or any committee of the Board to which power has been delegated.
- v. RAR shall adopt a risk-based approach with respect to periodic updation of KYC. Any additional and exceptional measures, which otherwise are not mandated under the above instructions, adopted by RAR such as requirement of obtaining recent photograph, requirement of physical presence of the customer, requirement of periodic updation of KYC only in the branch/office of RAR where the account is maintained.

RAR shall advise the customers that in order 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 RAR 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 RARs' end.



In case of existing customers, RAR Fincare Limited shall obtain the Permanent Account Number or equivalent e-document thereof or Form No.60 by such date as may be notified by the Central Government, failing which RAR Fincare Limited shall temporarily cease operations in the account till the time the Permanent Account Number or Form No. 60 is submitted by the customer.

Provided that before temporarily ceasing operations for an account, RAR Fincare Limited shall give the client an accessible notice and a reasonable opportunity to be heard. RAR Fincare Limited shall include appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or Form No. 60 owing to injury, illness, or infirmity on account of old age or otherwise, and such like causes. Such accounts shall, however, be subject to enhanced monitoring.

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

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

## **Part 6: Enhanced Due Diligence Procedure**

### **Accounts of non-face-to-face customers:**

**Enhanced Due Diligence (EDD) for non-face-to-face customer onboarding (other than customer onboarding in terms of paragraph 17 (of Know Your Customer – Directions 2016)):** Non-face-to-face onboarding facilitates the RAR Fincare Limited to establish relationship with the customer without meeting the customer physically or through V-CIP. Such non-face-to-face modes for the purpose of this paragraph includes 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 and PIOs. Following EDD measures shall be undertaken by REs for non-face-to-face customer onboarding (other than customer onboarding in terms of paragraph 17 ( of Know Your Customer – Directions 2016 ):

- a. In case RAR Fincare Limited introduces the process of V-CIP, the same shall be provided as the first option to the customer for remote onboarding. It is reiterated that processes complying with prescribed standards and procedures for V-CIP shall be treated on par with face-to-face CIP .
- b. In order to prevent frauds, alternate mobile numbers shall not be linked post CDD with such accounts for transaction OTP, transaction updates, etc. Transactions shall be permitted only from the mobile number used for account opening.
- c. Apart from obtaining the current address proof, RAR Fincare Limited shall verify the current address through positive confirmation before allowing operations in the account. Positive confirmation may be carried out by means such as address verification letter, contact point verification, deliverables, etc.

- d. RAR Fincare Limited shall obtain PAN from the customer and the PAN shall be verified from the verification facility of the issuing authority.
- e. First transaction in such accounts shall be a credit from existing KYC-complied bank account of the customer.
- f. Such customers shall be categorized as high-risk customers and accounts opened in non-face to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP.

#### **Accounts of Politically Exposed Persons (PEPs)**

- B. RAR Fincare Limited shall have the option of establishing a relationship with PEPs (Whether as customer or beneficial owner) provided that, apart from performing normal customer due diligence
  - a. RAR Fincare Limited have in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP
  - b. Reasonable measures are taken by RAR Fincare Limited for establishing source of funds/wealth
  - c. The decision to open an account for a PEP is taken at a senior level in accordance with the RAR Fincare Limited's Customer Acceptance Policy
  - d. All such accounts are subjected to enhanced monitoring on an on-going basis
  - e. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship
- C. These instructions shall also be applicable to family members or close associates of PEPs.

**Explanation:** For the purpose of this paragraph, "Politically Exposed Persons" (PEPs) are 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.

#### **Client accounts opened by professional intermediaries:**

RAR FINCARE LIMITED shall ensure while opening client accounts through professional intermediaries, that:

- a. Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client
- b. RAR Fincare Limited shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to RAR Fincare Limited
- c. All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of RAR Fincare Limited, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of RAR Fincare Limited, it shall look for the beneficial owners
- d. RAR Fincare Limited shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers
- e. The ultimate responsibility for knowing the customer lies with RAR Fincare Limited

**Sharing of deactivated Aadhaar by Client:**

Deactivated Aadhaar data will be useful for RAR FINCARE LIMITED to undertake Enhanced Due Diligence of its customers and with having access of such data, the accounts of such customers may be deactivated or closed as per the risk appetite of the organization.

As such, RAR FINCARE LIMITED may seek deactivated Aadhaar data from UIDAI on case to case basis, after signing a Memorandum of Understanding (MOU)/Agreement with UIDAI as per Regulation 9(3A) of the Aadhaar (Authentication and Offline Verification) Regulations 2021.

**Simplified Due Diligence**

Simplified norms for Self Help Groups (SHGs)

- a. CDD of all the members of SHG shall not be required while opening the account of the SHG.
- b. CDD of all the office bearers shall suffice.
- c. CDD of all the members of SHG may be undertaken at the time of credit linking of SHGs.

Simplified KYC norms for Foreign Portfolio Investors (FPIs)

Accounts of FPIs which are eligible/ registered as per SEBI guidelines, for the purpose of investment under Portfolio Investment Scheme (PIS), shall be opened by accepting KYC documents subject to Income Tax (FATCA/CRS) Rules.

Provided that RAR Fincare Limited shall obtain undertaking from FPIs or the Global Custodian acting on behalf of the FPI that as and when required, the exempted documents as detailed will be submitted.

**Part & Record Management**

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. RAR Fincare Limited shall,

- a) Maintain all necessary records of transactions between the company and the customer, both domestic and international, for at least five years from the date of transaction
- b) 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 five years after the business relationship is ended
- c) Make available swiftly the identification records and transaction data to the competent authorities upon request
- d) Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005)
- e) Maintain all necessary information in respect of transactions prescribed under PML Rule 3 to permit reconstruction of individual transaction, including the following:
  - i. The nature of the transactions
  - ii. The amount of the transaction and the currency in which it was denominated
  - iii. The date on which the transaction was conducted; and
  - iv. The parties to the transaction
- f) Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities

- g) Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format

Explanation. – For the purpose of this paragraph, 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.

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

### Reporting Requirements to Financial Intelligence Unit – India

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

*Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the Regulated Entities for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.*

The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of if RAR Fincare Limited doesn't have suitable technological tools for extracting CTR/STR from company's live transaction data.

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 be constituted as a separate violation. RAR Fincare Limited shall not put any restriction on operations in the accounts where an STR has been filed.

RAR Fincare Limited, its directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in rule 3 of the PML (Maintenance of Records) Rules, 2005 and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under paragraph 4(b) of (Know Your Customer Directions 2016) of any analysis of transactions and activities which appear unusual, if any such analysis has been done.

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.

### Monitoring of Transactions

*As per Income Tax Act, 1961, Cash cannot be accepted by any person (Branch / collection staff) over and above Rs. 2,00,000/- (Two Lacs only) for a particular transaction or series of integrally connected transactions.* The Company does not accept cash deposits in foreign currency.

*As per Income Tax Act, 1961, for any Cash or its equivalent payment over and above Rs. 10,000/-, a 'source of funds' declaration for such cash should be obtained from the Customer / person depositing / repaying the loan.*

*Note: Source of funds in cash is through 'sale of immovable property', then Cash or its equivalent for more than Rs. 20,000/- should not be accepted.*

Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the account. RAR Fincare Limited shall make endeavors 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, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. RAR Fincare Limited may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve cash over and above Rs. 1 lac should particularly attract the attention of RAR Fincare Limited. Higher risk accounts shall be subjected to intense monitoring.

RAR Fincare Limited shall set key indicators for such account's basis the background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. RAR Fincare Limited shall carry out the periodic review of risk categorization of transactions/customer's accounts and the need for applying enhanced due diligence measures at a periodicity of not less than once in six (6) months. RAR Fincare Limited shall explore the possibility of validating the new account opening applications with various watch lists available in public domain, including RBI watch list.

## **Part 9 Requirements/obligations under International Agreements**

Obligations under the Unlawful Activities (Prevention) (UAPA) Act 1967:

RAR FINCARE LIMITED shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

- i. 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://scsanctions.un.org/ohz5jen-al-qaida.html>
- ii. 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://scsanctions.un.org/3ppp1en-taliban.htm>

RAR Fincare Limited shall also ensure to refer to 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. The aforementioned lists, i.e., UNSC Sanctions Lists and 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, shall be verified on daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account by the RAR Fincare Limited for meticulous compliance.

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 (Annex II – Know Your Customer Directions 2016). In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

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

The procedure laid down in the UAPA Order dated February 2, 2021 (Annex II – Know Your Customer Directions 2016) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of MHA.

#### **Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005):**

- a) RAR Fincare Limited shall ensure meticulous compliance with the “Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005” laid down in terms of Section 12A of the WMD Act, 2005 vide Order dated September 1, 2023, by the Ministry of Finance, Government of India (Annex III of Know Your Customer Directions - 2016).
- b) In accordance with paragraph 3 of the aforementioned Order, RARFL shall ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.
- c) Further, RAR Fincare Limited 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 asset, etc., in the form of bank account, etc.
- d) In case of match in the above cases, RAR Fincare Limited 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, 2005. A copy of the communication shall be sent to State Nodal Officer, where the account / transaction is held and to the RBI.
- e) It may be noted that in terms of Paragraph 1 of the Order, Director, FIU-India has been designated as the CNO.
- f) RAR Fincare Limited may refer to the designated list, as amended from time to time, available on the portal of FIU-India.
- g) 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, 2005, RAR Fincare Limited shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay.
- h) In case an order to freeze assets under Section 12A is received by the REs from the CNO, RAR Fincare Limited shall, without delay, take necessary action to comply with the Order.

- i) (h) The process of unfreezing of funds, etc., shall be observed as per paragraph 7 of the Order. Accordingly, copy of application received from an individual/entity regarding unfreezing shall be forwarded by RAR Fincare Limited along with full details of the asset frozen, as given by the applicant, to the CNO by email, FAX and by post, within two working days.
- j) RAR Fincare Limited shall verify every day, the ‘UNSCR 1718 Sanctions List of Designated Individuals and Entities’, as available at <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>, to take into account any modifications to the list in terms of additions, deletions or other changes and also 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.
- k) In addition to the above, RAR Fincare Limited shall take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA, 1967 and any amendments to the same for compliance with the Government orders on implementation of Section 51A of the UAPA and Section 12A of the WMD Act.

RAR Fincare Limited shall undertake countermeasures when called upon to do so by any international or intergovernmental organisation of which India is a member and accepted by the Central Government.

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

- l) FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. RAR Fincare Limited 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.
- m) Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements Explanation: The processes referred to in (a) & (b) above do not preclude REs from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.
- n) The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request

#### **Other Instructions**

##### **Secrecy Obligations and Sharing Information**

- (a) RARFL shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the RE and customer.
- (b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

(c) While considering the requests for data/information from Government and other agencies, RAR Fincare Limited shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the transactions.

(d) The exceptions to the said rule shall be as under:

- i. Where disclosure is under compulsion of law,
- ii. Where there is a duty to the public to disclose,
- iii. Where the interest of RAR Fincare Limited requires disclosure, and
- iv. Where the disclosure is made with the express or implied consent of the customer.

### **CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)**

(a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

(b) In terms of provision of Rule 9(1A) of the PML Rules, the RAR Fincare Limited shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.

(c) Operational Guidelines for uploading the KYC data have been released by CERSAI.

(d) RAR Fincare Limited shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.

(e) The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, Scheduled Commercial Banks (SCBs) are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017, with CKYCR. SCBs were initially allowed time up-to February 1, 2017, for uploading data in respect of accounts opened during January 2017.

RE's other than SCBs were required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.

(f) RE's shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.

(g) Once KYC Identifier is generated by CKYCR, RAR Fincare Limited shall ensure that the same is communicated to the individual/LE as the case may be.

(h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, RAR Fincare Limited shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above-mentioned dates as per clauses (e) and (f), respectively, at the time of periodic updation as specified in paragraph 38 of this Master Direction, or earlier, when the updated KYC information is obtained/received from the customer. Also, whenever the RE obtains additional or updated information from any customer as per clause (j) below in this paragraph or 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 shall thereafter inform electronically all the reporting entities who have dealt with the concerned



customer 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 RAR Fincare Limited shall retrieve the updated KYC records from CKYCR and update the KYC record maintained by the RAR Fincare Limited.

(i) RAR Fincare Limited shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

(j) For the purpose of establishing an account-based relationship, updation/ periodic updation or for verification of identity of a customer, the RAR Fincare Limited 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, unless–

- i. there is a change in the information of the customer as existing in the records of CKYCR; or
- ii. the KYC record or information retrieved is incomplete or is not as per the current applicable KYC norms; or
- iii. the validity period of downloaded documents has lapsed; or
- iv. the RE considers it necessary in order to verify the identity or address (including current address) of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the customer.

### **Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)**

Under FATCA and CRS, RAR Fincare Limited shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H.

RAR Fincare Limited shall take following steps for complying with the reporting requirements: -

- a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login -> My Account --> Register as Reporting Financial Institution
- b) Submit online reports by using the digital signature of the ‘Designated Director’ by either uploading the Form 61B or ‘NIL’ report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to  
*Explanation: RAR Fincare Limited shall refer to the spot reference rates published by Foreign Exchange Dealers’ Association of India (FEDAI) on their website at <http://www.fedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H*
- c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H
- d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules
- e) Constitute a “High Level Monitoring Committee” under the Designated Director or any other equivalent functionary to ensure compliance
- f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time and available on the web site

<http://www.incometaxindia.gov.in/Pages/default.aspx>. RAR Fincare Limited may take note of the following:

- a. Updated Guidance Note on FATCA and CRS
- b. A press release on 'Closure of Financial Accounts' under Rule 114H (8)

### **Collection of Account Payee Cheques**

Account payee cheques for any person other than the payee constituent shall not be collected.

- a) A Unique Customer Identification Code (UCIC) shall be allotted while entering new relationships with individual customers as also the existing individual customers by RAR Fincare Limited
- b) RAR Fincare Limited shall not issue UCIC to all walk-in/occasional customers such as buyers of pre-paid instruments/purchasers of third-party products provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with the company and ensure that they are allotted UCIC

### **Introduction of New Technologies**

RAR Fincare Limited shall identify and assess the ML/TF risks that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre-existing products.

Further, RAR Fincare Limited shall ensure:

- (a) to undertake the ML/TF risk assessments prior to the launch or use of such products, practices, services, technologies; and
- (b) adoption of a risk-based approach to manage and mitigate the risks through appropriate EDD measures and transaction monitoring, etc.

### **Wire Transfer**

A. Information requirements for wire transfers for the purpose of this Master Direction:

i. All cross-border wire transfers shall be accompanied by accurate, complete, and meaningful originator and beneficiary information as mentioned below:

- a. name of the originator;
- b. the originator account number where such an account is used to process the transaction;
- c. the originator's address, or national identity number, or customer identification number, or date and place of birth;
- d. name of the beneficiary; and
- e. the beneficiary account number where such an account is used to process the transaction.

In the absence of an account, a unique transaction reference number should be included which permits traceability of the transaction.

ii. In case of batch transfer, where several individual cross-border wire transfers from a single originator are bundled in a batch file for transmission to beneficiaries, they (i.e., individual transfers) are exempted from the requirements of clause (i) above in respect of originator information, provided that they include the originator's account number or unique transaction reference number, as mentioned above, and the

batch file contains required and accurate originator information, and full beneficiary information, that is fully traceable within the beneficiary country.

iii. Domestic wire transfer, where the originator is an account holder of the ordering RE, shall be accompanied by originator and beneficiary information, as indicated for cross-border wire transfers in (i) and (ii) above.

iv. Domestic wire transfers of rupees fifty thousand and above, where the originator is not an account holder of the ordering RE, shall also be accompanied by originator and beneficiary information as indicated for cross-border wire transfers.

In case of domestic wire transfers below rupees fifty thousand where the originator is not an account holder of the ordering RE and where the information accompanying the wire transfer can be made available to the beneficiary RE and appropriate authorities by other means, it is sufficient for the ordering RE to include a unique transaction reference number, provided that this number or identifier will permit the transaction to be traced back to the originator or the beneficiary.

The ordering RE shall make the information available within three working/business days of receiving the request from the intermediary RE, beneficiary RE, or from appropriate competent authorities.

v. REs shall ensure that all the information on the wire transfers shall be immediately made available to appropriate law enforcement authorities, prosecuting / competent authorities as well as FIU-IND on receiving such requests with appropriate legal provisions.

vi. The wire transfer instructions are not intended to cover the following types of payments:

- a. Any transfer that flows from a transaction carried out using a credit card / debit card / Prepaid Payment Instrument (PPI), including through a token or any other similar reference string associated with the card / PPI, for the purchase of goods or services, so long as the credit or debit card number or PPI id or reference number accompanies all transfers flowing from the transaction. However, when a credit or debit card or PPI is used as a payment system to effect a person-to-person wire transfer, the wire transfer instructions shall apply to such transactions and the necessary information should be included in the message.
- b. Financial institution-to-financial institution transfers and settlements, where both the originator person and the beneficiary person are regulated financial institutions acting on their own behalf.

It is, however, clarified that nothing within these instructions will impact the obligation of an RE to comply with applicable reporting requirements under PML Act, 2002, and the Rules made thereunder, or any other statutory requirement in force.

B. Responsibilities of ordering RE, intermediary RE and beneficiary RE, effecting wire transfer, are as under:

i. Ordering RE:

- a. The ordering RE shall ensure that all cross-border and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph 'A' above}, contain required and accurate originator information and required beneficiary information, as indicated above.
- b. Customer Identification shall be made if a customer, who is not an account holder of the ordering RE, is intentionally structuring domestic wire transfers below rupees fifty thousand to avoid reporting or monitoring. In case of non-cooperation from the customer, efforts shall be made to establish identity and if the same transaction is found to be suspicious, STR may be filed with FIU-IND in accordance with the PML Rules.

- c. Ordering RE shall not execute the wire transfer if it is not able to comply with the requirements stipulated in this paragraph.

ii. Intermediary RE:

- a. RE processing an intermediary element of a chain of wire transfers shall ensure that all originator and beneficiary information accompanying a wire transfer is retained with the transfer.
- b. Where technical limitations prevent the required originator or beneficiary information accompanying a cross-border wire transfer from remaining with a related domestic wire transfer, the intermediary RE shall keep a record, for at least five years, of all the information received from the ordering financial institution or another intermediary RE.
- c. Intermediary RE shall take reasonable measures to identify cross-border wire transfers that lack required originator information or required beneficiary information. Such measures should be consistent with straight-through processing.
- d. Intermediary RE shall have effective risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.

iii. Beneficiary RE:

- a. Beneficiary RE shall take reasonable measures, including post-event monitoring or real-time monitoring where feasible, to identify cross-border wire transfers and qualifying domestic wire transfers {viz., transactions as per clauses (iii) and (iv) of paragraph 'A' above}, that lack required originator information or required beneficiary information.
- b. Beneficiary RE shall have effective risk-based policies and procedures for determining: (a) when to execute, reject, or suspend a wire transfer lacking required originator or required beneficiary information; and (b) the appropriate follow-up action including seeking further information and if the transaction is found to be suspicious, reporting to FIU-IND in accordance with the PML Rules.

iv. Money Transfer Service Scheme (MTSS) providers and other REs, are required to comply with all of the relevant requirements of this paragraph, whether they are providing services directly or through their agents. REs that control both the ordering and the beneficiary side of a wire transfer shall:

- a. take into account all the information from both the ordering and beneficiary sides in order to determine whether an STR has to be filed; and
- b. file an STR with FIU, in accordance with the PML Rules, if a transaction is found to be suspicious.

C. Other Obligations

i. Obligations in respect of REs' engagement or involvement with unregulated entities in the process of wire transfer

REs shall be cognizant of their obligations under these instructions and ensure strict compliance, in respect of engagement or involvement of any unregulated entities in the process of wire transfer. More specifically, whenever there is involvement of any unregulated entities in the process of wire transfers,

the concerned REs shall be fully responsible for information, reporting and other requirements and therefore shall ensure, inter alia, that,

- i. there is unhindered flow of complete wire transfer information, as mandated under these directions, from and through the unregulated entities involved;
- ii. the agreement / arrangement, if any, with such unregulated entities by REs clearly stipulates the obligations under wire transfer instructions; and
- iii. a termination clause is available in their agreement / arrangement, if any, with such entities so that in case the unregulated entities are unable to support the wire information requirements, the agreement / arrangement can be terminated. Existing agreements / arrangements, if any, with such entities shall be reviewed within three months to ensure aforementioned requirements.

ii. REs' responsibility while undertaking cross-border wire transfer with respect to name screening (such that they do not process cross-border transactions of designated persons and entities)

REs are prohibited from conducting transactions with designated persons and entities and accordingly, in addition to compliance with Chapter IX of the Master Direction, REs shall ensure that they do not process cross-border transactions of designated persons and entities.

iii. REs' responsibility to fulfil record management requirements

Complete originator and beneficiary information relating to wire transfers shall be preserved by the REs involved in the wire transfer, in accordance with paragraph 46 of the Master Direction.

#### **Issue and Payment of Demand Drafts, etc.**

Any remittance of funds by way of demand draft, mail/telegraphic transfer/NEFT/IMPS or any other mode and issue of travelers' cheques for value of rupees fifty thousand and above shall be effected by debit to the customer's account or against cheques and not against cash payment.

#### **Quoting of PAN**

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

#### **Selling Third Party Products**

RAR Fincare Limited acting as agents while selling third party products as per regulations in force from time to time shall comply with the following aspects for the purpose of these directions:

- a) The identity and address of the walk-in customer shall be verified for transactions above rupees fifty thousand as required under "Customer Identification Procedure" of this policy
- b) Transaction details of sale of third-party products and related records shall be maintained as prescribed in "Record Management" of this policy
- c) AML software capable of capturing, generating, and analyzing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers including walk-in customers shall be available
- d) Transactions involving rupees fifty thousand and above shall be undertaken only by:
  - Debit to customers' account or against cheques; and

- Obtaining and verifying the PAN given by the account based as well as walk-in customers

### **Hiring of Employees and Employee training**

- a) Adequate screening mechanism, including Know Your Employee / Staff policy, as an integral part of their personnel recruitment/hiring process shall be put in place
- b) RAR Fincare Limited shall endeavour to ensure that the staff dealing with / being deployed for KYC/AML/CFT matters have: high integrity and ethical standards, good understanding of extant KYC/AML/CFT standards, effective communication skills and ability to keep up with the changing KYC/AML/CFT landscape, nationally and internationally. RAR Fincare Limited shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.
- c) On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML/CFT policies of the company, regulation and related issues shall be ensured

### **Adherence to Know Your Customer (KYC) guidelines by RAR Fincare Limited and persons authorized by RAR Fincare Limited including brokers/agents etc.**

- a) Persons authorized by the company for collecting loan repayments and their brokers/agents or the like, shall be fully compliant with the KYC guidelines applicable to the company
- b) All information shall be made available to the Reserve Bank of India to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorized by the company including brokers/agents etc. who are operating on their behalf
- c) The books of accounts of persons authorized by the company including brokers/agents or the like, so far as they relate to brokerage functions of the company, shall be made available for audit and inspection whenever required.

## **Annex I**

### **Digital KYC Process**

- a) RAR Fincare Limited shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of the REs.
- b) The access of the Application shall be controlled by the RAR Fincare Limited and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by REs to its authorized officials.
- c) The customer, for the purpose of KYC, shall visit the location of the authorized official of RAR Fincare Limited or vice-versa. The original OVD shall be in possession of the customer.
- d) RAR Fincare Limited must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of the RAR Fincare Limited shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by REs) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- e) The Application of the RAR Fincare Limited shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.
- f) Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.
- g) The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- h) Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e-Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.
- i) Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile

number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with the RE shall not be used for customer signature. The RE must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.

- j) The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with the RE. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.
- k) Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of the RE, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.
- l) The authorized officer of the RAR Fincare Limited shall check and verify that:- (i) information available in the picture of document is matching with the information entered by authorized officer in CAF. (ii) live photograph of the customer matches with the photo available in the document.; and (iii) all of the necessary details in CAF including mandatory field are filled properly.;
- m) On Successful verification, the CAF shall be digitally signed by authorized officer of RAR Fincare Limited who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.
- n) RAR Fincare Limited may use the services of Business Correspondent (BC) for this process.

RAR Fincare Limited wherever applicable shall be guided by the following Annex of RBI's Master Direction on Know You Customer Directions 2016

- Annex II File No. 14014/01/2019/CFT Government of India Ministry of Home Affairs CTCR Division (ORDER - Procedure for implementation of Section 51A of the Unlawful Activities (Prevention) Act, 1967.)
- Annex III F.No.P - 12011/14/2022-ES Cell-DOR Government of India Ministry of Finance Department of Revenue
- Annex IV - KYC documents for eligible FPIs under PIS

## **REVIEW**

The Policy shall be reviewed by the Board as and when any Regulatory changes are issued by the Reserve Bank of India. In case of any contradiction to any of the subrules herein mentioned above with the Master Direction - Know Your Customer (KYC) Direction, 2016 ('Directions') issued by the RBI from time to time, the directions would prevail.



*Reviewed by the Board of Directors in its meeting held on February 20, 2025*

<i>Senior Management – Reviewer</i>	<i>Senior Management – Approver</i>	<i>Custodian</i>
<i>SD/- Chief Risk Officer</i>	<i>SD/- Chief Operations Officer</i>	<i>SD/- Company Secretary</i>
<i>SD/- Chief Financial Officer</i>	<i>SD/- Chief Executive Officer</i>	