

# KYC and AML Policy

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Internal

Head - Risk, Neha Kedia

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## Table of Contents

### Contents

Introduction.....	5
Scope .....	5
Responsibility .....	5
Directives and Procedures.....	5
Objective of KYC guidelines .....	6
1. Customer Acceptance Policy .....	7
2. Risk management: .....	8
2.1 KYC Risk Categorization.....	11
2.2 KYC Risk categorization in Loan origination system (LOS) .....	12
2.3 Money Laundering and Terrorist Financing Risk Assessment .....	12
3. Customer Identification Procedures (CIP): .....	12
3.1 Customer Due Diligence (CDD) Procedure: .....	14
3.2 Officially Valid Document (OVD):.....	14
3.3 Digital KYC.....	15
3.3.1 Digital KYC Process: .....	15
3.4 Video Based Customer Identification Process (V-CIP):.....	17
3.5 Enhanced Due Diligence (EDD) for non-face-to-face customer onboarding .....	19
3.6 Customer Due Diligence (CDD) Procedure for Individuals:.....	19
3.6 Customer Due Diligence (CDD) Procedure for Sole Proprietary firms:.....	23
3.7 Customer Due Diligence (CDD) Procedure for Legal Entities:.....	23
3.8 Identification of Beneficial Owner (BO): .....	26
3.9 Beneficial Owner (BO): .....	26
3.9.1 Process for Beneficial Owner:.....	27
4. Enhanced and Simplified Due Diligence Procedure .....	29
4.1 Anonymous accounts: .....	29
4.2 Politically exposed persons (PEP): .....	29
4.3 Enhanced Due Diligence.....	30
4.3.1 Suggested EDD for politically exposed persons (PEPs) .....	30

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 3 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

4.3.2 Suggested EDD for complex/large/unusual transactions .....	31
4.3.3 Suggested EDD for cash or third party payments.....	31
4.3.4 Suggested EDD for high down payment (beyond 45% down payment) transactions .....	32
4.3.5 Suggested EDD for all other higher risk factors .....	32
4.4 Examples of higher risk factors (“red flags”) warranting EDD.....	32
4.4.1 Customer Risk Factors.....	33
4.4.2 Geopolitical risk factors:.....	34
4.4.3 Transaction Risk Factors: .....	34
5. Monitoring of Transactions (On-going Due Diligence Process) .....	35
5.1 Periodic Updation .....	36
5.2 Process followed for Re-KYC by VFS India .....	37
6. Record Management.....	39
7. Identification and reporting of suspicious and related transactions.....	40
7.1 An Indicative List of Suspicious Activities Transactions Involving Large Amounts of Cash .....	41
7.2 Transactions that do not make Economic Sense .....	41
7.3 Activities not consistent with the Customer's Business.....	41
7.4 Attempts to avoid Reporting/Record-keeping Requirements.....	41
7.5 Unusual Activities .....	41
7.6 Customer who provides Insufficient or Suspicious Information .....	41
7.7 Certain Employees arousing Suspicion .....	42
7.8 Some examples of suspicious activities/transactions to be monitored by the operating staff.....	42
7.9 Concerning large doubtful transaction and any form of suspicious accounts - Process:.....	43
7.10 Operations restrictions on suspicious accounts: .....	43
7.11 Cash Transaction Reports (CTR).....	43
7.12 Compliance department is responsible for monitoring of transactions.....	44
7.13 Reporting to Financial Intelligence Unit-India .....	44
8. Screening against watch-lists/blacklists (sanctions & corruption index), Requirements / obligations under International Agreements Communications from International Agencies etc.....	45
8.1 High-risk jurisdictions:.....	47
9. Obligations under Weapons of Mass Destruction (WMD) and their Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005).....	47
10. Secrecy Obligations and Sharing of Information: .....	51

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 4 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

11.	Hiring of Employees and Employee training .....	51
12.	Control and Audit:.....	52
13.	Sharing information, confidentiality and data privacy .....	52
14.	Central KYC Records Registry (CKYCR).....	52
14.1	Scope: .....	53
14.2	Functions and Obligations of Volvo Financial services (VFS) India .....	53
14.3	CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR): .....	53
14.4	Upload of KYC records:.....	54
14.5	Search and download of KYC record: .....	55
14.6	Update of KYC record:.....	55
14.7	Multiple correspondence addresses: .....	56
14.8	Processing of Records at Central KYC Registry: .....	56
14.8.1	De-duplication: .....	56
14.8.2	Reconciliation of Probable match: .....	56
14.8.3	ID Match: .....	56
15.	Applicability of Law/Notifications .....	57
16.	Periodic Review.....	57
17.	Supporting documents .....	57
18.	Change Log.....	57

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 5 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

## **Introduction**

“Know Your Customer” (KYC) guidelines of RBI require banks, financial institutions and NBFCs to verify identity of each customer to avoid any fraudulent and fictitious / benami transactions. These guidelines issued by the Reserve Bank of India and any contravention or non-compliance with the same may attract penalties under the relevant provisions of the act. Proper KYC also helps the lending institutions to avoid incurring credit losses caused by identity theft and impersonation, which could influence loan recoveries.

## **Scope**

This directive applies specifically to VFS’ operations in India for Retail and Wholesale credit transactions

This document includes KYC and AML, PMLA directive of Volvo Financial Services (India) Private Limited (hereinafter referred to as “VFS India”) and is applicable for all branches across the country. This policy document covers following four key elements/activities:

1. Customer acceptance policy
2. Risk management
3. Customer Identification Procedures (Standard set of documents that are acceptable for KYC verification for different types of customers)
4. Monitoring of Transactions

## **Responsibility**

The Head Risk, Head – Finance and Operations, and Head – Legal and Compliance along with all the Credit and Operations Team Members are responsible for the implementation and maintenance of this directive. However, all employees involved with this process are responsible for adhering to the provisions of this directive

The Know Your Customer (KYC) policy should be duly approved by the Board of Directors of VFS India or any committee of the Board to which power has been delegated.

## **Directives and Procedures**

This deals with the criteria for acceptance of a customer as per existing credit directives of VFS India

<b>Risk Assessment and Customer Credit Grading Directive</b>	<b>300-1</b>
<b>Retail Financing Credit Risk Directive</b>	<b>300-2</b>
<b>Delegated Credit Authority Directive</b>	<b>300-3</b>
<b>Wholesale Financing Credit Risk Directive</b>	<b>300-4</b>

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 6 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

<b>Wholesale Financing Stock Audit Directive</b>	<b>300-5</b>
<b>Modification and Extension Policy</b>	<b>300-6</b>

### **Objective of KYC guidelines**

- The objective of KYC and AML directive is to prevent the VFS India from being used intentionally or unintentionally, by criminal elements for money laundering activities
- KYC procedures also enables the VFS India to know / understand its customers and their financial dealings better which in turn helps us to manage our risks prudently
- VFS India needs to follow certain customer identification procedure for opening of accounts and sanctioning of any loans to customers as per RBI guidelines.
- “Money laundering is usually described as the process by which a person attempts to conceal the existence, nature or source of the proceeds of illegal activity in order to disguise them and/or make them appear legitimate. Terrorist financing may not involve the proceeds of criminal conduct, but rather an attempt to conceal either the origin of the funds or their intended use, which could be to support any terrorist group, persons or association.
- The term “Money Laundering” also used when the funds used for terrorist financing though the origin of the funds may be legitimate.
- KYC directive laid down by the VFS India can help in detecting preventing such activities.
- Any revision in the RBI guidelines or any other statute related to KYC and PMLA guidelines, subsequent to the date of release of the policy, will supersede the processes mentioned herein to the extent the process not in compliance with the updated guidelines / Instructions
- VFS India shall ensure that VFS Anti-Money Laundering Global Directive is implemented in spirit and law for the purpose of discharging obligations under the provisions of Chapter IV of the Prevention of Money-laundering Act, 2002.

For the purpose of KYC policy, a ‘Customer’ is defined as:

- A person or entity that maintains an account and / or has a business relationship with VFS India
- One on whose behalf the account is maintained (i.e. the beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, and Solicitors etc. as permitted under the law

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 7 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- Any person or entity connected with a financial transaction, which can pose significant reputational or other risks to VFS India.

And a “**Person**” has the same meaning assigned in the Act and includes:

- an individual,
- a Hindu undivided family
- a VFS India,
- a firm,
- an association of persons or a body of individuals, whether incorporated or not,
- every artificial juridical person, not falling within any one of the above persons (a to e), and
- any agency, office or branch owned or controlled by any of the above persons (a to f)

#### **1. Customer Acceptance Policy**

This deals with the criteria for acceptance of a customer as per existing credit directives and procedures of VFS India and ensure that

1. No disbursement made in anonymous of fictitious / benami name.
2. Not to sanction any Loan/Lease where VFS India is unable to apply appropriate CDD (customer due diligence) measures, i.e. unable to verify the identity and /or obtain documents required, either due to non-cooperation of the customer or non-reliability of the data/information furnished by the customer. VFS shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.
3. No transaction or account-based relationship undertaken without following the CDD procedure.
4. The mandatory information to be sought for KYC purpose while sanctioning loan/lease contract and during the periodic updation.
5. ‘Optional’/additional information where such information requirement has not been specified in the internal KYC Policy of the VFS India, is obtained with the explicit consent of the customer after the account opened.
6. VFS India shall apply the CDD procedure at the UCIC (A Unique Customer Identification Code, i.e customer code) level. Thus, if an existing KYC compliant customer of VFS India desires to apply for another loan / lease transaction, there shall be no need for a fresh CDD exercise.
7. CDD Procedure is followed for all the joint account holders, while opening a joint account.
8. Circumstances in which, a customer permitted to act on behalf of another person/entity, clearly spelt out.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 8 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

9. Finscan system put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India
10. Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and requirements of the prevention of Money Laundering Act, 2002 and guidelines issues by the Reserve Bank of India time to time
11. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
12. Where an equivalent e-document is obtained from the customer, VFS India shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000)
13. Necessary checks before disbursement of any loan / lease to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations.
14. Parameters of risk perception are clearly defined in terms of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. In addition VFS India has implemented in its credit directives numerous controls to meet these requirements:
15. Business activity: various professions have been black listed in the different credit granting procedures.
16. Location of customers: High risk areas should be checked during field investigation
17. Mode of payments: VFS India only accepts Cheque payment/NACH for the payment of customer EMI's ( Exception collection process)
18. Volume of turnover: Financial statement or equivalent documents to be checked
19. Social and financial status etc.: checks are systematically performed during field investigation process by internal teams and external agencies.
20. Where Goods and Services Tax (GST) details are available, the GST number shall be verified from the search/verification facility of the issuing authority.

If the VFS India 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.

## **2. Risk management:**

Risks of non-compliance of KYC policy is monitored through systems and controls, segregation of duties, training

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 9 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

and other related matters. Compliance function plays a critical role in risk management by evaluating and ensuring adherence to the KYC policies and procedures

**For Risk Management, VFS India shall follow the risk based approach which includes the following:**

1. VFS India should categorize their customers into low, medium and high-risk category based on assessment and risk perception of the customers, identifying transactions that fall outside the regular pattern of activity and not merely based on any group or class they belong. VFS India have clear Board approved policies/broad principles for risk categorization of customers, same are meticulously complied with to effectively help in combating money laundering activities. All Profiles categorized with one of the risk category in LOS.
2. Risk categorisation shall be undertaken based on parameters such as customer’s identity, social/financial status, nature of business activity, and information about the clients’ business and their location, 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 are also factored in
3. 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.
4. VFS India should exercise on going due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge about the clients, their business and risk profile and where necessary, the source of funds.
5. VFS shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business and shall also monitor the implementation of the controls and enhance them, if necessary.

**The nature and extent of due diligence, based on the following principles:**

- i. Individuals (other than High Net Worth) and entities, whose identity and source of income, can be easily

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 10 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

identified, and customers in whose accounts the transactions confirm to the known profile, may be categorised as low risk. Illustrative examples include salaried employees and pensioners, people belonging to lower economic strata, government departments and government owned companies, regulators and statutory bodies

- ii. Customers who are likely to pose a higher than average risk should be categorised as medium or high risk depending on the background, nature and location of activity, country of origin, sources of funds, customer profile, etc.
- iii. Customers requiring very high level of monitoring, e.g., those involved in cash intensive business, Politically Exposed Persons (PEPs) of foreign origin, may, if considered necessary, be categorised as high risk.

The above guidelines for risk categorization are indicative and VFS India may use their own judgment in arriving at the categorization for each account based on their own assessment and risk perception of the customers and not merely based on any group or class they belong. VFS India may use for guidance in their own risk assessment, the reports and guidance notes on KYC/AML issued by the RBI.

For higher risk situations, in addition to the basic CDD steps may also be required to carry out the additional due diligence steps (as required or deemed necessary applying a risk-based approach).

EDD varies based on the type of Customer and circumstances but may include, obtaining further information regarding a customer's background, source of funds, customer's source and structure of wealth, site visit, or conducting internet or media searches.

**The most common triggers for EDD are:**

- a) The transaction is with or involves a PEP, a family member of a PEP (spouse, parents or children), or anyone known to be a close associate of a PEP.
- b) The transaction is in or has ties with a high-risk third country (whether through place of performance or the customer itself).
- c) The transaction is unusual given the nature of the business of the customer or appears to be unnecessarily

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 11 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

complex.

- d) The transaction involved cash payments (one or more in aggregate) which exceed the permitted thresholds.
- e) The transaction involves unusual structures – for example, higher than normal down payments and early termination rights
- f) The transaction involves or facilitates third party payments.

### 2.1 KYC Risk Categorization

Risk category	Category of customers
<b>Low Risk</b>	<ol style="list-style-type: none"> <li>1. Salaried employee</li> <li>2. Self-employed individuals / Prop. Firms</li> <li>3. Govt. dept. &amp; Govt. owned companies</li> <li>4. Limited companies (Public &amp; Private)</li> <li>5. Partnership firm (Registered Deed)</li> </ol>
<b>Medium Risk</b>	<ol style="list-style-type: none"> <li>1. NGO's</li> <li>2. Societies (Registered Deed)</li> </ol>
<b>High Risk</b>	<ol style="list-style-type: none"> <li>1. Politically exposed person</li> <li>2. NRI's</li> <li>3. Special Profile B as per VFS India Credit Directive (300-2)</li> <li>4. The transaction is in or has ties with a high-risk third country</li> <li>5. The transaction involved cash payments</li> <li>6. High down payment (beyond 45% down payment) transactions</li> <li>7. Trusts</li> </ol>

High risk accounts have to be subjected to more intensive monitoring. 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.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 12 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

## **2.2 KYC Risk categorization in Loan origination system (LOS)**

KYC risk category should mandatorily be marked for all the transactions sanctioned by VFS India. The classification of the risk category in the LOS is the responsibility of the Credit team. Credit Managers must classify the risk category at the time of underwriting in the LOS for all type of approved Loan / Lease transactions. In case the same is not marked then the Operations team may raise a query and seek a confirmation from the Credit team.

## **2.3 Money Laundering and Terrorist Financing Risk Assessment**

VFS India shall conduct '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, VFS India shall take cognizance of the overall sector-specific vulnerabilities, if any, that the RBI may share with VFS India from time to time.

This exercise must be conducted annually, and the report shall be presented to the Board. However, the Board may mandate to conduct this exercise more frequently.

### **3. Customer Identification Procedures (CIP):**

This deals with Customer Identification Procedure, comprising of documentary and non-documentary verification to carry out at different stages before sanctioning a loan or lease transaction. This again adequately covered under the existing credit directives and in this document

Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Customer identification" means undertaking the process of Customer Due Diligence (CDD).

While sanctioning loan / lease to a customer, VFS India need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether occasional or business relationship, and the purpose of the intended nature of relationship. 'Being satisfied' means that VFS India must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customer in compliance with

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 13 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

the extant guidelines in place. Such risk-based approach considered necessary to avoid disproportionate cost to VFS India and a burdensome regime for the customers. Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate, etc.)

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, VFS India, shall at their option, rely on customer due diligence done by a third party, subject to the following conditions:

- a. Necessary information of such customers' due diligence carried out by the third party is immediately obtained by VFS India (within 2 working days)
- b. Adequate steps are taken by VFS India 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 VFS India.

**While undertaking customer identification, VFS India shall ensure that:**

- a. Decision-making functions of determining compliance with KYC norms shall not be outsourced
- b. Introduction shall not be sought while opening accounts
- c. The customers shall not be required to furnish an additional Officially Valid Document (OVD), if the OVD submitted by the customer for KYC contains both proof of identity and proof of address

It is necessary that Sales or Marketing Team / Sales Support team verifies the photocopy of the KYC documents with the originals and certifies on the KYC document, the fact of having verifying the same under his / her signature (Original Seen & Verified – OSV)

If the borrower/co-borrower/guarantor is illiterate, they can affix their thumb impression in all related documents in the witness of VFS India Sales Manager. In addition to this, VFS India Sales Manager is required to provide declaration that "Thumb impression has been done in front of them" wherever thumb impression has been affixed and it is to be communicated to Credit and operations team via e-mail.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 14 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

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

“Customer Due Diligence (CDD)” means identifying and verifying the customer and the beneficial owner using ‘Officially Valid Documents’ as a ‘proof of identity’ and a ‘proof of address’. If customer is a legal entity, we need to identify who stands behind them. Identify & verify the identity of the ultimate beneficial owner (“UBO”) of a legal entity – and there may be more than one. This process known as Customer Due Diligence (“CDD”). Process shall be carried using reliable and independent sources of identification.

**Note:** *CDD is applicable for Applicant/Co Applicant/Guarantor based on the deal structure*

CDD, at the time of commencement of an account-based relationship or while carrying out occasional transaction of an amount equal to (or) exceeding INR 50,000/-, whether conducted as a single transaction or several transactions that appear to be connected or any international money transfer operations shall include:

- (a) 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;
- (b) Taking reasonable steps to understand the nature of the customer's business, and its ownership and control;
- (c) 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.

### **3.2 Officially Valid Document (OVD):**

“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 (UIDAI). VFS India shall do verification of Aadhaar number as per the process mandated by the UIDAI. Additionally, no Aadhaar card may be accepted without masking the Aadhaar number.
- b. Where the OVD furnished by the customer does not have updated address, the following documents or

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 15 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

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 licence agreements with such employers allotting official accommodation;
- c. The customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above.

**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.

### **3.3 Digital KYC**

"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 authorized employee of VFS India as per the provisions contained in the Act.

#### **3.3.1 Digital KYC Process:**

- i. VFS India shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of the customers and the KYC process shall be undertaken only through this authenticated application of VFS India
- ii. The access of the Application shall be controlled by VFS India and 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 VFS India to its authorized officials
- iii. The customer, for the purpose of KYC, shall visit the branch location of VFS India or vice-versa. The original

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 16 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

OVD shall be in possession of the customer

- iv. VFS India must ensure that the Live photograph of the customer is taken by an authorized sales employees and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of VFS India shall put a water-mark in readable form having CAF number, GPS coordinates, authorized sales employees name, unique employee Code (assigned by VFS India) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer
- v. The application of VFS India 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
- vi. 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.
- vii. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- viii. 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.
- ix. 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 sales employees registered with VFS India shall not be used for customer signature. VFS India must check that the mobile number used in customer signature shall not be the mobile number of the authorized sales employees of VFS India
- x. The authorized sales employees shall provide a declaration about the capturing of the live photograph of

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 17 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

customer and the original document. For this purpose, the authorized sales employees shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with VFS India. Upon successful OTP validation, it shall be treated as authorized sales employee's signature on the declaration. The live photograph of the authorized sales employees shall also be captured in this authorized sales employee's declaration.

- xi. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to the Sales / Operations team of VFS India, and also generate the transaction-id/reference-id number of the process. The authorized sales employees shall intimate the details regarding transaction-id/reference-id number to customer for future reference
- xii. The authorized sales employees of VFS India shall check and verify that- (i) information available in the picture of document is matching with the information entered by authorized sales employees 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.;
- xiii. On Successful verification, the CAF shall be digitally signed by authorized sales employees of VFS India 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.

#### **3.4 Video Based Customer Identification Process (V-CIP):**

"Video based Customer Identification Process (V-CIP)" is a method of customer identification by an employee of VFS India by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process for the purpose of this KYC Policy.

VFS India may undertake live V-CIP, to be carried out by an employee of VFS India, for an establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

- i. The employee of VFS India performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information by carrying out Offline Verification of Aadhaar for identification
- ii. VFS India shall capture a clear image of PAN card to be displayed by the customer during the process,

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 18 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority

- iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India
- iv. The employee of VFS India shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer
- v. The employee of VFS India shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded
- vi. 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 3 working days from the date of carrying out V-CIP
- vii. Video process of the V-CIP shall be undertaken within 3 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, VFS India shall ensure that no incremental risk is added due to this.
- viii. Any transaction through V-CIP shall be made after being subject to concurrent audit by the Operations Team, to ensure the integrity of process
- ix. VFS India shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audio-visual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. VFS India shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations
- x. To ensure security, robustness and end to end encryption, VFS India shall carry out software and security audit and validation of the V-CIP application before rolling it out
- xi. The audio-visual interaction shall be triggered from the domain of the RE itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
- xii. VFS India shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xiii. VFS India may take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 19 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

the customer. However, the responsibility of customer identification shall rest with VFS India

xiv. VFS India shall ensure to redact or blackout the Aadhaar number in terms of Section 16

### **3.5 Enhanced Due Diligence (EDD) for non-face-to-face customer onboarding**

- Non-face-to-face onboarding facilitates to establish relationship with the customer without meeting the customer physically or through V-CIP. Such non-face-to-face modes 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.
- If the VFS India has introduced the process of V-CIP, then 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.
- 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.
- VFS India 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.
- PAN shall be obtained from the customer and shall be verified from the verification facility of the issuing authority.
- First transaction in such accounts shall be a credit from existing KYC-complied bank account of the customer.
- These non-face-to-face mode onboarded customers shall be categorized as high-risk customers and shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP.

### **3.6 Customer Due Diligence (CDD) Procedure for Individuals:**

VFS India 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

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 20 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

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 VFS India notified under first proviso to sub-section (1) of section 11A of the PML Act; or
  - (aa) the proof of possession of the Aadhaar number where offline verification can be carried out, or
  - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
  - (ac) the KYC Identifier with an explicit consent to download records from CKYCR; and
- b. One recent Photograph
- c. the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962, and
- d. such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as specified by VFS India in their Credit Directives and KYC directive

**Provided that where the customer has submitted,**

- i. Aadhaar number under clause (a) above to VFS India notified under first proviso to sub-section (1) of section 11A of the PML Act, VFS India 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 VFS India.
- ii. proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, VFS India shall carry out offline verification
- iii. an equivalent e-document of any OVD, VFS India 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 Pt. 3.3.1 above.
- iv. any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, VFS India shall carry out verification through digital KYC as specified under Pt. 3.3.1 above.
- v. KYC Identifier under clause (ac) above, the VFS India shall retrieve the KYC records online from the CKYCR in accordance with Section 14.3 of this Policy.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 21 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

Provided that for a period not beyond such date as may be notified by the Government, instead of carrying out digital KYC, VFS India 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. VFS India uses this method to perform customer due diligence in case of individuals.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 22 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

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, VFS India 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 VFS India Sales Team and such exception handling shall also be a part of the concurrent internal audit. VFS India shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit / inspection by VFS India and shall be available for supervisory review, if needed

**Explanation 1:** VFS India 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 bank official / 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

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

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 23 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

### **3.6 Customer Due Diligence (CDD) Procedure for Sole Proprietary firms:**

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

#### **Below documents or the equivalent e-documents of Proprietor to be collected:**

- a. A certified copy of any OVD containing details of his identity and address
- b. One recent photograph
- c. The Permanent Account Number or Form No. 6o as defined in Income-tax Rules, 1962

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

- i. Registration certificate including Udyam Registration Certificate (URC) issued by the Government
- ii. Certificate/license issued by the municipal authorities under Shop and Establishment Act.
- iii. Sales and income tax returns.
- iv. CST/VAT/ GST certificate (provisional / final)
- v. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- vi. 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.
- vii. 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.
- viii. Utility bills such as electricity, water, and landline telephone bills, etc.

In cases where VFS India are satisfied that it is not possible to furnish two such documents, VFS India may, at their discretion, accept only one of those documents as proof of business/activity.

Provided VFS India undertakes 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.

### **3.7 Customer Due Diligence (CDD) Procedure for Legal Entities:**

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 24 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

### 1. **Public / Private Limited VFS India**

For any disbursement in the name of a VFS India, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained by VFS India:

- a. Certificate of incorporation
- b. Memorandum and Articles of Association
- c. Permanent Account Number of the VFS India
- d. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- e. Documents, as specified below, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the VFS India's behalf
  - i. A certified copy of any OVD containing details of his identity and address
  - ii. One recent photograph
  - iii. The Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962
- 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.

### 2. **Partnership Firm**

For any disbursement in the name of a partnership firm, one certified copy 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 below of the person holding an attorney to transact on its behalf
  - i. A certified copy of any OVD containing details of his identity and address
  - ii. One recent photograph
  - iii. The Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962
- e. the names of all the partners and
- f. address of the registered office, and the principal place of its business, if it is different.

### 3. **Trust**

For any disbursement in the name of a trust, one certified copy of each of the following documents or the equivalent

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 25 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

e-documents thereof shall be obtained:

- a. Registration certificate
- b. Trust deed
- c. Permanent Account Number or Form No.60 of the trust
- d. Documents, as specified below of the person holding an attorney to transact on its behalf
  - i. A certified copy of any OVD containing details of his identity and address
  - ii. One recent photograph
  - iii. The Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962
- 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 Section 16, for those discharging the role as trustee and authorised to transact on behalf of the trust.

VFS shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out below transactions:

- (a) Carrying out any international money transfer operations for a person who is not an account holder of the VFS
- (b) Carrying out transactions for a non-account-based customer, that is a walk-in customer, where the amount involved is equal to (or) exceeds INR 50,000/-, whether conducted as a single transaction or several transactions that appear to be connected.
- (c) When VFS has a 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 INR 50,000/-.

#### **4. An unincorporated association or a body of individuals**

For any disbursement in the name of an unincorporated association or a body of individuals, certified copies of each of the following documents or the equivalent e-documents thereof 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 below, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 26 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- e. Such information as may be required by VFS India 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

#### 5. Other Judicial Persons

For opening accounts of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, certified copy of the following documents or the equivalent e-documents thereof shall be obtained:

- a. Document showing name of the person authorized to act on behalf of the entity;
- b. Documents, as specified below of the person holding an attorney to transact on its behalf
  - i. A certified copy of any OVD containing details of his identity and address
  - ii. One recent photograph
  - iii. The Permanent Account Number or Form No. 60 as defined in Income-tax Rules, 1962
- c. Information as may be required by VFS India to collectively establish the legal existence of such an association or body of individuals

#### 3.8 Identification of Beneficial Owner (BO):

For any transaction with a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of CDD 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 a VFS India listed on a stock exchange, or it is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions or is a subsidiary of such a VFS India, 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.

#### 3.9 Beneficial Owner (BO):

- i. **Public / Private Limited VFS India**

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 27 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

Where the customer is a VFS India, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.

**Explanation** - For the purpose of this sub-clause

- a. **“Controlling ownership interest”** means ownership of/entitlement to more than 10 per cent of the shares or capital or profits of the VFS India.
- b. **“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.

### **3.9.1 Process for Beneficial Owner:**

- I. For Public and/or Private Limited Companies as borrowers, KYC check to be done for the entity and authorized directors/managers who are named in the board resolution for executing documents
- II. The complete list of directors as on date need to be taken on letter head of the VFS India duly signed by the Authorized Official of the VFS India
- III. The complete list of shareholders of the borrowing entity needs to be taken on letterhead of the VFS India duly signed by the Authorized Official.
- IV. For the purpose of Beneficial Ownership (UBO), in case the client is a Public / Private Limited VFS India, 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 of more than 10% of the shares or capital or profits of the VFS India or who exercises control through the right to appoint majority of directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements. KYC needs to be carried out on such BO. In those cases where UBO is identified, KYC documents need to be taken for such person(s).
- V. To ascertain if there is any UBO in the VFS India we need to obtain on details on letterhead of the VFS India, the names of all the shareholders & the percentage of their individual holdings in the VFS India.
  - a. Where the customer is a limited VFS India with shareholding comprises of mix of individual and corporates. We need to collect shareholding of corporates, however if the corporate holding is less than 10% and rest of shareholding comprises of individuals only, we can collect UBO certificate from the customer instead of collecting shareholding of corporate entity.
  - b. If the shareholding of a VFS India is scattered and none of the shareholders are holding 10% or more, In such scenario, If there are any common persons in the board and shareholders and we

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 28 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

can see that these persons are related or are from the same family, then using the management control part of RBI definition we can assume that these are the Beneficial owners.

- c. Where the customer is a private limited with govt. entity as one of the shareholder holding less than 10%, we need to identify how much of the actual management is impacted by the Govt. entity. If the govt. entity despite having < 10% stake having substantial stake in VFS India either through management control or through debt then there are high risk of VFS facing issues in recovery hence adequate due diligence need to be carried out and legal clearance needs to be sought

#### ii. Partnership Firm

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 per cent of capital or profits of the partnership or who exercises \*control through other means.

\*Control shall include the right to control the management or policy decision.

KYC documents of Partners those holding above 10% of the capital or profits of partnership firm to be collected and those are party to the agreement as co applicant or guarantor to be collected along with the KYC documents of the Authorized signatory

#### iii. An unincorporated association or a body of individuals

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 per cent 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 1, 2 or 3 above, the beneficial owner is the relevant natural person who holds the position of senior managing official

#### iv. Trust:

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% 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

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 29 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

#### 4. **Enhanced and Simplified Due Diligence Procedure**

Customer identification procedure: Specific measures for certain customers

##### **4.1 Anonymous accounts:**

VFS India must not permit the disbursement to anonymous accounts i.e. accounts where the identity of customer is not disclosed

##### **4.2 Politically exposed persons (PEP):**

“Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. VFS India shall have the option of establishing a relationship with PEPs provided that:

- i. Sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- ii. the identity of the person shall have been verified before accepting the PEP as a customer;
- iii. the approval to open an account for a PEP is taken at a Head Risk, Country MD and Head Legal and Compliance level in accordance with VFS Credit directive & Customer Acceptance Policy
- iv. All such accounts are subjected to enhanced monitoring on an on-going basis;
- v. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, Head Risk, Country MD and Head Legal and Compliance approval is obtained to continue the business relationship;
- vi. The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.
- vii. VFS have in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP;
- viii. Reasonable measures are taken for establishing the source of funds / wealth;
- ix.

These instructions shall also be applicable to accounts where a PEP is the beneficial owner and also applicable to the family members or close associates of PEPs.

##### **Definition of “families”**

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 30 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

The term families should include close family members such as spouse, children, parents and siblings and may include other blood relative and relatives by marriage.

### **Definition of “close associates”**

The category of closely associated persons should include close business colleagues and personal advisors/consultants to the politically exposed person as well as persons who obviously benefit significantly from being close to such a person.

Identifying ‘Politically Exposed Person’ can be a difficult task, if customer does not provide important information or provide false information. One has to rely on the information given by customers and that can be gleaned from business documents or from the media or local knowledge of business teams and internal Finscan check.

### **4.3 Enhanced Due Diligence**

Enhanced Due Diligence (“EDD”) is a process of collecting additional information when the risk of AML is considered higher. The purpose of conducting EDD is to provide us with a deeper understanding of the Customer and the transaction in order for us to mitigate or address the increased AML risk or to determine whether or not a Suspicious Transaction Report (STR) is required.

The extent of EDD depends on the nature and severity of the risk. The additional due diligence could take many forms from gathering additional information on the Customers identity to verifying their authenticity with independent reliable sources or to obtaining additional internal approvals to enter into the transaction. The checks should be relative and proportionate to the level of risk identified.

We need to apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive ‘due diligence’ for higher risk customers, especially those for whom the sources of funds are not clear.

VFS India should also seek confirmation from local or Regional AML Officer of VFS India whether or not a suspicious activity/transaction report requires to be filed with the local authority and, if so, confirmation whether or not proceed with the transaction pending a response from the authorities.

#### **4.3.1 Suggested EDD for politically exposed persons (PEPs)**

VFS India shall have the option to finance PEPs provided that

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 31 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP
- the identity of the person shall have been verified before accepting the PEP as a customer
- all such accounts are subjected to enhanced monitoring on an on-going basis
- Obtaining approval for all PEP profile deals at Head Risk + Country MD level along with Head Legal, provided there is no positive Finscan match for the following
  - Government provided list of known or suspected terrorists
  - Customer should not be listed as “Blocked or Specially designated party” on all applicable sanctions lists as per Finscan
  - Customer should not be engaged in a trade or industry sector or geographical scope that is also prohibited by the applicable economic sanctions and bans
  - identify if either the Customer or any of its respective UBOs are a PEP
- The Finscan screening as described above, has to be performed both
  - i. At the time of on-boarding for any new transactions or modifications thereof, and
  - ii. periodically on the existing portfolio
- in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, approval is obtained from Head Risk + Country MD along with Head Legal to continue the business relationship
- the CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable

#### 4.3.2 Suggested EDD for complex/large/unusual transactions

- Obtaining additional documents or explanations that help explain why the transaction is being structured this way and that it should not be considered unusual given the circumstances;
- Obtaining financial statements certified by the statutory auditors;
- Conducting more frequent ongoing monitoring of the Customer and the transaction

#### 4.3.3 Suggested EDD for cash or third party payments

- Obtaining more information regarding other cash payments made or being made by the party in order to see whether, in aggregate, they exceed the daily limits for reporting purposes;
- Finding out whether paying in cash as per limitations under Indian laws

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 32 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- Verifying the relationship between the Customer and third party payer to receive third party payments;
- Identifying and/or verifying the identity of the third party payer
- Checking for the absence of any other red flags related to that entity;
- Finding out why the Customer wishes to use a third party payer;
- If proceeding with a third party payment, checking that the payment is not made through a banking account held in a high-risk jurisdiction (AML risk, tax haven, corruption risk, etc.)

**4.3.4 Suggested EDD for high down payment (beyond 45% down payment) transactions**

- Obtaining more information regarding source of down payment from customer
- Check financials & bank statements
- If required take declaration from customer on source of money

**4.3.5 Suggested EDD for all other higher risk factors**

- Obtaining additional documents, data or information to establish and verify the Customer’s identity and/or address;
- Seeking authentication of same by requesting certification or notarization, etc.
- Checking whether the information contained in any such additional documents matches or confirms information previously provided by the Customer;
- Obtaining financial statements certified by the statutory auditors;
- Visiting the Customer on site;
- Checking that payments made to us will be effected through an account opened in the Customer’s name

**4.4 Examples of higher risk factors (“red flags”) warranting EDD**

The following are some examples of facts & circumstances which may suggest a higher risk of money laundering and might (depending on the circumstances or local law) require enhanced due diligence (EDD) to be carried out. “Red flags” may appear either at the inception of the business relationship when you first conduct CDD or during the lifecycle of the transaction.

This list is intended to be educational only. This is not an exhaustive list meaning these are just examples and there may be other circumstances which give rise to the need for EDD

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 33 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

#### 4.4.1 Customer Risk Factors

- i. The Customer or beneficial owner has links to industry sectors that are associated with higher corruption risk and/or with higher AML risk (high value/luxury goods dealers, military firms, precious metal, oil and gas industries, etc.)
- ii. The Customer or beneficial owner has cash-intensive business (restaurant, liquor stores, retail stores, vending machines operator, etc.)
- iii. The Customer or beneficial owner is a Politically Exposed Person (PEP) or has any other relevant links to a PEP (for example, are any of the Customer's directors PEPs and if so, do these PEPs exercise significant control over the Customer or beneficial owner)
- iv. Customer or beneficial owner has been subject to a suspicious transaction report (STR) in the past
- v. The ownership structure of the VFS India appears unusual or excessively complex given the nature of the VFS India's business or there have been frequent changes in management or ownership.
- vi. The Customer is overly secret or evasive about who the beneficial owner is and why they are doing this transaction this way.
- vii. The Customer is reluctant to provide or refuses to provide information, data and documents usually required in order to complete routine CDD.
- viii. The Customer provides documentation that you either know or reasonably suspect to be false or counterfeited.
- ix. The Customer is a business, which cannot be found on the internet.
- x. Adverse media reporting relating to the Customer and/or beneficial owner suggesting ties to criminal, terrorist or money laundering activities.
- xi. The person actually directing the transaction is not one of the formal parties to the transaction or their duly appointed representative.
- xii. The financial statements of the Customer show an injection of capital or assets in kind which is notably high or unusual in comparison with previous financial statements and trading patterns and there is no logical explanation.
- xiii. The Customer has changed his/her or its address very often or more frequently than it did in the past.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 34 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

#### 4.4.2 Geopolitical risk factors:

- i. The Customer or beneficial owner is based in or conducting business in, or through, a high-risk jurisdiction, or a jurisdiction with known higher levels of corruption, organized crime or drug production/distribution – (see reference in High-risk jurisdictions).
- ii. The Customer or beneficial owner is located in a country subject to financial sanctions, trade embargoes or similar measures – (see reference in High-risk jurisdictions).
- iii. The Customer or beneficial owner is located in a jurisdiction known as an offshore tax or secrecy haven – (see reference in High-risk jurisdictions).

#### 4.4.3 Transaction Risk Factors:

- i. The business relationship is conducted on a non-face to face basis (other than routine business that is done through our dealers).
- ii. Payment is received from unknown or unassociated third parties.
- iii. The transaction is inconsistent with the size or activity of the legal entity or natural person acting based on past experience.
- iv. There is a lack of sensible commercial/financial/tax or legal reason for the transaction.
- v. There are unexplained changes in instructions or the Customer requests changes to the payment terms, especially at the last minute and no logical or satisfactory reason is offered.
- vi. The client offers to pay substantially higher fees than usual, without legitimate reason.
- vii. A number of transactions below the amount requiring ID checks or triggering cash reporting thresholds is carried out by the same Customer within a short space of time.
- viii. The Customer offers to pay an excessive down payment compared to market practices with no evident reasons (e.g. payment exceeding 45% of the value of the asset)
- ix. The guarantee provided is in the form of a deposit from an unconnected third party.
- x. The payment is periodically effected in cash from locations different from the usual or by various third parties with no evident reason.
- xi. Payment is effected through a series of bank transfers from different accounts in different banks with no logical or satisfactory reason.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 35 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

#### 5. **Monitoring of Transactions (On-going Due Diligence Process)**

Ongoing monitoring is an essential element of effective KYC/AML procedures. In order to effectively control and reduce business risk, an understanding of the normal and reasonable activity of the customer is needed. It is also necessary to identify transactions that fall outside the regular pattern of activity of a customer.

VFS India shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers’ business and risk profile; and the source of funds.

**Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:**

- a. Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- b. Transactions which exceed the thresholds prescribed for specific categories of accounts.
- c. High account turnover inconsistent with the size of the balance maintained.
- d. Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

VFS India operations department manually alert on such transactions and periodical review of risk categorization for above mentioned type of accounts (a, b, c, d type of transactions) from existing customer base and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. This kind of transaction accounts monitored with periodicity being at least once in six months and also advised to introduce a system of periodical updation of customer identification data (including photograph/s) after the account is opened. However VFS India, being Non-banking finance VFS India, does asset based captive business under Loan / Lease and hence above mentioned type of accounts (a, b, c, d) are very rare. However, deposit of payments by 3rd party in the customer’s accounts requires enhanced due diligence measures which must be carried out by the Operations Team

For ongoing due diligence, VFS India may adopt appropriate innovations including artificial intelligence and machine learning (AI & ML) technologies to support effective monitoring.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 36 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

### 5.1 Periodic Updation

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

#### VFS India shall carry out

- i. CDD by collecting fresh KYC documents at the time of periodic updation. However, in case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
- ii. In case of Legal entities, VFS India shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- iii. VFS India may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.
- iv. VFS India shall ensure to provide acknowledgment with date of having performed KYC updation.
- v. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC

VFS India 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 the VFS India the update of such documents. This shall be done within 30 days of the update to the documents.

In case of existing customer, VFS India 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 VFS India shall temporarily cease operations in the account till the time the Permanent Account Number or equivalent e-documents thereof or Form No. 60 is submitted by the customer

Provided that before temporarily ceasing operations for an account, VFS India shall give the customer an accessible notice and a reasonable opportunity to be heard. Further, VFS India shall include appropriate relaxation(s) for continued operation of accounts for customers who are unable to provide Permanent Account Number or

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 37 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

equivalent e-document thereof 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 VFS India gives in writing to VFS India that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, VFS India 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 VFS India 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.

## 5.2 Process followed for Re-KYC by VFS India

- Ops checks from the IT Team on the list of customers classified as High Risk and verifies the date of last collected KYCs for those customers
- For the High Risk customers where the KYCs are more than 2 years old, VFS is required to do the Re-KYC for the customers
- Mail sent to the customer from the Service Desk Email ID to provide the required KYCs for Re-KYC purpose, i.e. ID and Address Proof
- VFS gives one week time to the customers to respond with their latest KYCs. In case if there is no response from the customers, Ops to send a mail to the credit team to check the details from the MCA and follow below steps
  - In case of Private or Public Limited companies, check the List of Directors and Shareholders as per the MCA / Probe database
  - Verify if any directors or shareholders are added post VFS Funding to the customer
  - If Yes, re-do KYC check for those individuals who are added post VFS funding by performing a Credit Bureau Check to verify the PAN Number
  - In case if PAN is not verified from the credit bureau report, Use the details to verify from the Income Tax Filing department

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 38 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- For a partnership firm, since it is difficult to get the partners details from the MCA. Re-KYC to be done by collecting the documents from the customer
- Ops to send a mail to Sales Team and Customer for the Re-KYC
- Credit team to share the Credit Bureau report along with PAN verification from Income tax website (if any) with the Ops team

**Following actions shall be implemented if the re-KYC is not provided by the Customer within 30 days:**

- Monthly email reminder to be sent by Ops team
- Stop all services to customers, i.e., no refunds, no SOA, no NOC etc. Ops. Manager will be the in control for this
- No new loan shall be disbursed.
- VFS India will not consider this as default. Hence, so normal collections activities will be in force.

**Additional Measures: VFS India shall ensure that**

- 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 VFS India are not as per the current CDD standards. Further, in case the validity of the CDD documents available with the VFS India has expired at the time of periodic updation of KYC, VFS India shall undertake the KYC process equivalent to that applicable for on-boarding a new customer.
- Customer's PAN details, if available with the VFS India, is verified from the database of the issuing authority at the time of periodic updation of KYC.
- Acknowledgment is provided to the customer mentioning the date of receipt of the relevant document(s), including self-declaration from the customer, for carrying out periodic updation. Further, it shall be ensured that the information / documents obtained from the customers at the time of periodic updation of KYC are promptly updated in the records / database of the VFS India and an intimation, mentioning the date of updation of KYC details, is provided to the customer.
- In order to ensure customer convenience, VFS India may consider making available the facility of periodic updation of KYC at any branch, in terms of their internal KYC policy duly approved by the Board of Directors or any committee of the Board as the case may be.
- VFS India 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 the

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 39 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

VFS India shall be clearly specified in the internal KYC policy duly approved by the Board of Directors or any committee of the Board as the case may be.

## 6. Record Management

VFS India should ensure that records pertaining to the identification of the customers and their address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills, etc.) obtained while opening the account and during the course of business relationship, are properly preserved. The identification of records and transaction data should be made available to the competent authorities upon request. The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules. VFS India shall,

- a. maintain all necessary records of transactions between VFS India and the customer for at least five years from the date of transaction;
- b. preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of 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 so as to permit reconstruction of individual transaction, including the following:
  - i. the nature of the transactions;
  - ii. the amount of the transaction and the currency in which it was denominated;
  - iii. the date on which the transaction was conducted; and
  - iv. the parties to the transaction.
- f. evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
- g. maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format
- h. In order to maintain a satisfactory audit trail, it is necessary to retain the following information in respect of the clients for financial transaction:

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 40 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- i. The identity of the person undertaking the transaction;
- ii. The end use of the funds disbursed;
- iii. The form of instruction and authority

VFS India Operations department, as a custodian of business documents, should ensure compliance with record keeping requirements as per various statutory regulations including PMLA

*\*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.*

VFS India 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, VFS India shall register the details on the DARPAN Portal. VFS India shall also maintain such registration records for a period of five years after the business relationship between the customer and the VFS India has ended or the account has been closed, whichever is later.

#### 7. Identification and reporting of suspicious and related transactions

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.

A suspicious transaction is one for which there are reasonable grounds to suspect that the transaction is related to a money laundering offence or a terrorist activity financing offence. A suspicious transaction can include one that was attempted. “Reasonable grounds to suspect” is determined by what is reasonable in the circumstances, including normal business practices and systems within the industry.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 41 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

There is no monetary threshold for making a report on a suspicious transaction. A suspicious transaction may involve several factors that may on their own seem insignificant, but together may raise suspicion that the transaction is related to the commission or attempted commission of a money laundering offence, a terrorist activity financing offence, or both. The context in which the transaction occurs or is attempted is a significant factor in assessing suspicion.

An assessment of suspicion should be based on a reasonable evaluation of relevant factors, including the knowledge of the customer's business, financial history, background and behavior.

### **7.1 An Indicative List of Suspicious Activities Transactions Involving Large Amounts of Cash**

VFS India transactions that are denominated by unusually large amounts of cash, rather than normally associated with the normal commercial operations of the VFS India, e.g. cheques

### **7.2 Transactions that do not make Economic Sense**

Transactions in which assets are withdrawn immediately after being deposited unless the business activities of the customer's furnishes a plausible reason for immediate withdrawal.

### **7.3 Activities not consistent with the Customer's Business**

Accounts with large volume of credits whereas the nature of business does not justify such credits.

### **7.4 Attempts to avoid Reporting/Record-keeping Requirements**

- i. A customer who is reluctant to provide information needed for a mandatory report, to have the report filed or to proceed with a transaction after being informed that the report must be filed.
- ii. Any individual or group that coerces/induces or attempts to coerce/induce a VFS India employee not to file any reports or any other forms.
- iii. An account where there are several cash transactions below a specified threshold level to avoid filing of reports that may be necessary in case of transactions above the threshold level, as the customer intentionally splits the transaction into smaller amounts for the purpose of avoiding the threshold limit.

### **7.5 Unusual Activities**

Funds coming from the countries/centers which are known for money laundering.

### **7.6 Customer who provides Insufficient or Suspicious Information**

- i. A customer/VFS India who is reluctant to provide complete information regarding the purpose of the business, prior business relationships, officers or directors, or its locations.
- ii. A customer/VFS India who is reluctant to reveal details about its activities or to provide financial statements.
- iii. A customer who has no record of past or present employment but makes frequent large transactions.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 42 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

### 7.7 Certain Employees arousing Suspicion

- i. An employee whose lavish lifestyle cannot be supported by his or her salary.
- ii. Negligence of employees/wilful blindness is reported repeatedly.

### 7.8 Some examples of suspicious activities/transactions to be monitored by the operating staff

- Large Cash Transactions
- Multiple accounts under the same name
- Placing funds in term Deposits and using them as security for more loans
- Sudden surge in activity level
- Same funds being moved repeatedly among several accounts

In terms of PMLA Rules, suspicious transaction should include inter alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. Therefore, while judging customer profile need to check on accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority.

As and when list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), are received from Government of India, Reserve Bank circulates these to all banks and financial institutions (including NBFCs). VFS India should ensure to update the consolidated list of individuals and entities as circulated by Reserve Bank. Further, the updated list of such individuals/entities can be accessed in the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

VFS India need to check said list before opening any new account, it should be ensured that the name/s of the proposed customer does not appear in the list. Further, VFS India should scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list should immediately be intimated to RBI and FIU-IND.

VFS India required to pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. The background including all documents/office records/memorandums pertaining to such transactions and purpose thereof should, as far as possible, be examined and the findings at branch as well as Principal Officer Level should be properly recorded.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 43 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

### 7.9 Concerning large doubtful transaction and any form of suspicious accounts - Process:

For any cash transactions, which can be identified as doubtful according to the criteria listed in annexure “guide to types of suspicious transactions”

- I. Alerts the Head of compliance/Principal officer
- II. Send the doubtful transaction report to the compliance team before the 7th of the following month if any such transaction observed by operations department, including Nil report.
- III. In case of any suspicious accounts observed, then it needs to be first informed to Principal Officer.
- IV. In order to comply with the provisions of PMLA Rules, employees are advised to report suspicious transactions, if any, which comes to their knowledge during their business process at their Branch/location directly to Principal Officer by email without any undue delay and under strict confidentiality. Please ensure that this information is not passed on to the customer at any level.
- V. Principal Officer will analyze the suspicious account in-consultation with Managing Director and decide whether this needs to be reported to FIU-IND.
- VI. If the STR is reported to FIU-IND, then this information shall also be made to Regional AMLO of VFS.

### 7.10 Operations restrictions on suspicious accounts:

The VFS India may not put any restrictions on operations in the accounts where as an STR has been made. However, it should be ensured that there is no tipping off to the customer at any level.

#### At HO:

- The report is analyzed by the Principal Officer with the help of operations department.
- The Principal Officer in consultation with the Managing Director may decide to pass the information to the FIU-IND. In this case, the report has to be submitted to the FIU-IND before the 15th of the following month.
- In case the PO is off duty, the Head of Operations will decide if a suspicious transaction report must be sent to FIU-IND and performs the declarations, if any.

### 7.11 Cash Transaction Reports (CTR)

- All individual cash transactions in an account during a calendar month, where either debits or credit summation, computed separately, exceeding Rupees ten lacs during the month should be reported to FIU-IND. However, while filing CTR, details of individual cash transactions below rupees fifty thousand may not be indicated.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 44 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- The principal officer should ensure to submit CTR for every month to FIU-IND within the prescribed time schedule
- CTR should contain only the transactions carried out by VFS India on behalf their clients /customers excluding transactions between the internal accounts of VFS India.

### **7.12 Compliance department is responsible for monitoring of transactions**

The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND. Utmost confidentiality should be maintained in filing of CTR and STR with FIU-IND. Operations team update CTR/STR transactions on monthly basis or more frequently if the RBI/FIU- IND required including nil report to Principal Officer to report/further action. The reports may be transmitted by speed/ registered post, fax, email at the notified address. While making STRs, VFS India should be guided by the definition of 'suspicious transaction' as contained in Rule 2(g) of Rules ibid. VFS India should make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

### **Monitoring of large value and exceptional transactions based on alerts defined**

- Escalation of suspicious transactions to respective heads.
- Filing Cash Transaction Report (CTR) with the FIU by 15th of every month
- Filing Suspicious Transaction Report (STR) with FIU within 7 days from date of establishing of suspicious transaction as per the FIU format in both electronic and manual form
- Filing Counterfeit Currency Report (CCR) with FIU within 7 days from the date of detection.
- Scrutinizing sample of customer data against UNSCR and other negative lists as issued by RBI/other regulatory/statutory entities from time to time escalating the same to business heads.

Periodical review of risk categorization of customers and the need for applying enhanced due diligence measures. VFS India ensure that a record of transactions by the customers is preserved and maintained as required as per prevention of money laundering act.it should also be ensured that transactions of suspicious nature are reported to the appropriate law enforcement authority.

### **7.13 Reporting to Financial Intelligence Unit-India**

In terms of the PMLA rules, VFS India is required to report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND). The reporting formats and comprehensive reporting

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 45 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

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 by VFS India which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data.

The Principal Officer of VFS India shall have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. VFS India shall not put any restriction on operations in the accounts where an STR has been filed. VFS India shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level. However, such confidentiality requirement shall not inhibit sharing of information within the group entities required for the purposes of client due diligence and money laundering and terror finance risk management.

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.

The name, designation, address and contact details of the Designated Director and Principal Officer shall be communicated to the FIU-IND as well as to the RBI.

**8. Screening against watch-lists/blacklists (sanctions & corruption index), Requirements / obligations under International Agreements Communications from International Agencies etc.**

- i. VFS India shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, 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:
  - a) The "ISIL (Da'esh) & Al-Qaida Sanctions List", which includes names of individuals and entities

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 46 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

associated with the Al-Qaida. is available at <https://scsanctions.un.org/ohz5jen-al-qaida.html>

- b) The “Taliban Sanctions List”, which includes names of individuals and entities associated with the Taliban is available at <https://scsanctions.un.org/3ppp1en-taliban.htm>

VFS India 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 VFS India for meticulous compliance.

- ii. Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated 4<sup>th</sup> February 2, 2021
- iii. 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
- iv. Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967. The procedure laid down in the UAPA Order dated 5<sup>th</sup> February 2, 2021 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 Ministry of Home Affairs
- v. **Jurisdictions that do not or insufficiently apply the FATF Recommendations**
  - a. 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. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.
  - b. 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 process referred to above in a & b do not preclude VFS India from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

- c. 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

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 47 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

### 8.1 High-risk jurisdictions:

Below are links to certain resources which can help determine whether or not a particular country might be considered to be “high risk” for AML purposes. These links and resources are provided for assistance only and are not necessarily the determining factor by themselves that a country should be considered high risk or not. The question of “high risk” countries can arise either in connection with where the transaction is being carried out or in respect of the parties involved. Please liaise with your local VFS lawyer/compliance officer for guidance.

Countries subject to Office of Foreign Assets Control (OFAC) sanctions:

<https://www.treasury.gov/resource-center/sanctions/Programs/Pages/Programs.aspx>

Jurisdictions or countries with deficiencies in combating money laundering and terrorism financing identified by the Financial Action Task Force (FATF)

<http://www.fatf-gafi.org/countries/#high-risk>

Countries with high AML rating identified in the Basel AML Index (country’s risk level in money laundering/terrorist financing based on its adherence to AML/CTF standards and other risk categories such as financial regulations, public transparency, corruption and rule of law.)

<https://index.baselgovernance.org/ranking>

Offshore Financial Centers (OFCs) identified by the International Monetary Fund (IMF)

<https://www.imf.org/external/NP/ofca/OFCA.aspx?sort=cty#CA>

VFS India has an internal system and process on above checks by way of Finscan process. All customers who are entering into a transaction with VFS India, the Credit Team performs Finscan check, which screens on CDD and above-mentioned process.

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

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 48 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

VFS India shall not finance any activity which is prohibited under the aforementioned Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.

For prevention of financing of any activity by the VFS India, which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems, the Central Government shall have power to:

- i. Freeze, seize or attach funds or other financial assets or economic resources:
  - (a) owned or controlled, wholly or jointly, directly or indirectly, by the VFS India or
  - (b) held by or on behalf of, or at the direction of the VFS India or
  - (c) derived or generated from the funds or other assets owned or controlled, directly or indirectly, by the VFS India
- ii. Prohibit the VFS India from making funds, financial assets or economic resources or related services available for the benefit of persons related to any activity which is prohibited under this Act, or under the United Nations (Security Council) Act, 1947 or any other relevant Act for the time being in force, or by an order issued under any such Act, in relation to weapons of mass destruction and their delivery systems.
- iii. The Central Government may exercise its powers through any authority to ensure expeditious and effective implementation.
- iv. VFS India shall ensure not to carry out transactions in case the particulars of the individual / entity match with the particulars in the designated list.
- v. Further, VFS India 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.
- vi. In case of match in the above cases, VFS India shall immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO). A copy of the communication shall be sent to State Nodal Officer, where the account / transaction is held and to the RBI. VFS

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 49 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

India shall file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted. It may be noted that Director, FIU-India has been designated as the CNO.

vii.VFS India may refer to the designated list, as amended from time to time, available on the portal of FIU-India.

viii.In case there are reasons to believe beyond doubt that funds or assets held by a customer would fall under the purview of points i or ii above, VFS India/Registrar shall prevent such individual/entity from conducting financial transactions, under intimation to the CNO or State Nodal Officer as the case may be by email, FAX and by post, without delay.

ix.On receipt of the particulars, as referred above, the CNO or State Nodal Officer would cause a verification to be conducted by the State Police and/or the Central Agencies so as to ensure that the individuals/entities identified by the VFS India are the ones in designated list and the funds, financial assets or economic resources or related services, reported by VFS India are in respect of the designated individuals/entities. This verification would be completed expeditiously from the date of receipt of such particulars.

x.In case, the results of the verification indicate that the assets are owned by, or are held for the benefit of, the designated individuals/entities, an order to freeze these assets would be issued by the CNO without delay and be conveyed electronically to the concerned VFS India under intimation to respective Regulators. The CNO shall also forward a copy thereof to all the Principal Secretaries/Secretaries, Home Department of the States/UTs and All Nodal officers in the country, so that any individual or entity may be prohibited from making any funds, financial assets or economic resources or related services available for the benefit of the designated individuals / entities. The CNO shall also forward a copy of the order to all Directors General of Police/ Commissioners of Police of all States/UTs for initiating suitable action. The order shall be issued without prior notice to the designated individual/entity.

xi.In case an order to freeze assets is received by the VFS India from the CNO, VFS India shall, without delay, take necessary action to comply with the Order.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 50 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- xii. Any individual/entity, if it has evidence to prove that the freezing of funds, financial assets or economic resources or related services, owned/held has been inadvertently frozen, an application may be moved giving the requisite evidence, in writing, to the VFS India/Registrar of Immovable Properties/ ROC/Regulators and the State.
- xiii. Copy of application received from an individual/entity regarding unfreezing shall be forwarded by the VFS India 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. Also, listed persons and entities may petition a request for delisting at the Focal Point Mechanism established under UNSC Resolution.
- xiv. The CNO shall cause such verification, as may be required on the basis of the evidence furnished by the individual/entity, and, if satisfied, it shall pass an order, without delay, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to the VFS India/Registrar of Immovable Properties/ROC/Regulators and the State Nodal Officer. However, if it is not possible, for any reason, to pass an Order unfreezing the assets within 5 working days, the CNO shall inform the applicant expeditiously.
- xv. The CNO shall, based on de-listing of individual and entity under UN Security Council Resolutions, shall pass an order, if not required to be designated in any other order, without delay, unfreezing the funds, financial assets or economic resources or related services, owned/held by such applicant, under intimation to the VFS India/Registrar of Immovable Properties/ROC/Regulators and the State Nodal Officer.
- xvi. VFS India 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.
- xvii. VFS India shall consider (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.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 51 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

xviii. VFS 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.

#### 10. **Secrecy Obligations and Sharing of Information:**

- a. VFS India shall maintain secrecy regarding the customer information which arises out of the contractual relationship between VFS India and customer. VFS India shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934
- b. Information collected from customers for the purpose of financing 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, VFS India shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in the banking transactions.
- d. The exceptions to the said rule shall be as under:
  - i. Where disclosure is under compulsion of law
  - ii. Where there is a duty to the public to disclose,
  - iii. the interest of VFS India requires disclosure and
  - iv. Where the disclosure is made with the express or implied consent of the customer.

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

- a. Adequate screening mechanism, including Know Your Employee / Staff policy, as an integral part of VFS India recruitment/hiring process
- b. VFS India 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. VFS India shall also strive to develop an environment which fosters open communication and high integrity amongst the staff.
- c. On-going employee training programme put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be trained specially to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 52 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

versed in AML/CFT policies of VFS India, regulation and related issues shall be ensured.

- d. Regular and recurrent training is an important part of an effective AML compliance program.
- e. All new employees should receive AML training within 3 months of their start date.
- f. All employees (including trainees and temporary personnel) and necessary personnel who work directly with Customers and those employees who work in other areas that may be exposed to AML risks shall attend/complete annual AML training on a recurring basis.
- g. Records of training should be maintained for three years on a rolling basis unless a longer period is required by applicable law.
- h. Responsibilities for Training & Hiring of VFS India Employees:
  - Legal & Compliance manger will provide training to new joiner during induction
  - Head Risk complete the yearly KYC training to existing employees
  - HR manager to complete KYC screening process during recruitment/hiring process

#### 12. Control and Audit:

Compliance with this Directive is monitored through a combination of internal control, external audit, self-assessment and regulatory reviews in accordance with applicable AML legislation and/or regulations and good industry practice in general.

#### 13. Sharing information, confidentiality and data privacy

The authorities and regulators promote the sharing of AML information between countries, government authorities, FIUs and, of course, within group organizations. However, certain confidentiality or bank secrecy rules and data privacy rules can restrict sharing. If you are permitted to share AML information, it needs to be classified and treated as "Strictly Confidential".

#### 14. Central KYC Records Registry (CKYCR)

"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

"KYC Templates" means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities

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

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 53 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

Government of India has authorized the Central Registry of Securitization 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.

#### **14.1 Scope:**

CKYCR is a centralized repository of KYC records of customers in the financial sector with uniform KYC norms and inter-usability of the KYC records across the sector with an objective to reduce the burden of producing KYC documents and getting those verified every time when the customer creates a new relationship with VFS. This document is prepared with a view to put up a process for uploading KYC of existing customer in CKYCR and accessing the KYC of existing customers as well as new customers from the CKYC portal. It also outlines the obligations/role of VFS India in this entire process of uploading and accessing.

#### **14.2 Functions and Obligations of Volvo Financial services (VFS) India**

VFS India shall have the following functions and obligations:

- a. It shall be required to register with the Central KYC Registry in accordance with the processes and instructions issued.
- b. While commencing an account based relationship, VFS India shall verify the identity of the customer and perform the initial due diligence of the customer.
- c. VFS India shall not use the KYC data of a customer obtained from the Central KYC Registry for purposes other than verifying the identify or address of the client and shall not transfer KYC records or any information contained therein to any third party unless authorized to do so by the client or by the Regulator or by the Director.
- d. If VFS India has performed the last KYC verification or sent updated information in respect of a client then it shall be responsible for verifying the authenticity of the identity or address of the client.

The prescribed fee is payable by VFS India for each type of transaction and Central KYC Registry will collect such fees from VFS India, in advance.

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

##### **Operational Guidelines for uploading the KYC data have been released by CERSAI**

- a. Central KYC Registry application can be accessed by registered/authorized institutions or other notified institutions under the Prevention of Money Laundering Act or rules framed by the Government of India or any Regulator (RBI, SEBI, IRDA and PFRDA) thereunder.

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 54 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

- b. VFS India has to register itself on the Central KYC Registry portal (<https://www.ckycindia.in>) with 2 Primary Users who in turn can create more users (makers and checkers).
- c. In terms of provision of Rule 9(1A) of PML Rules, the REs shall capture customer’s KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- d. VFS India 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. VFS India shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules ibid. The KYC records have to be uploaded as per the LE Template released by CERSAI.
- f. Once KYC Identifier is generated by CKYCR, VFS India shall ensure that the same is communicated to the individual/LE as the case may be.
- g. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, VFS India shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened on or after April 1, 2021 at the time of periodic updation, or earlier, when the updated KYC information is obtained/received from the customer.
- h. VFS India shall ensure that during periodic updation, the customers are migrated to the current CDD standard
- e. Where a customer submits a KYC Identifier to VFS India, then it shall download the KYC records from the Central KYC Registry by using the KYC Identifier and shall not require a customer to submit the documents again unless.
  - i. There is a change in the information of the customer as existing in the records of Central KYC Registry.
  - ii. The current address of the customer is required to be verified
  - iii. VFS India considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
  - iv. the validity period of documents downloaded from CKYCR has lapsed.
- i. This activity would be undertaken by the Operations Team / Operations Manager

#### 14.4 Upload of KYC records:

The data captured as per the common KYC template is to be uploaded on the Central KYC portal along with the

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 55 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

scanned copy of the supporting documents (PoI / PoA). For an individual record, the signature and photograph is to be cropped separately and uploaded. **Specification for scanning the supporting documents and photograph are stated below:**

- a) Document should be scanned in grey-scale with a scanning resolution of 150-200 DPI.
  - i. Photograph must be a recent passport size, preferably in colour. However, scanning has to be in colour mode.
  - ii. Dimensions 200 x 230 pixels
  - iii. Size of photograph should be between 20kb-50kb
  - iv. Acceptable file format : '.tif', '.tiff', '.pdf', '.jpeg', '.jpg'
  - v. File Size (Maximum Limit): 350 kb for individual KYC record
- b) VFS India can bulk upload the KYC details and scanned images. Images for each record will be required to be zipped separately. The master zip file will be digitally signed by VFS India
- c) Bulk files can be uploaded either at the branch, region or institution level.
- d) VFS India should ensure adequate internet bandwidth for bulk upload. Bulk upload is provided via SFTP. For bulk upload of size less than 20 MB the Central KYC front-end application may also be used. Based on validations, a response file will be generated. This file will contain the success records, error records and download records. The response file is available for download from the Central KYC application.

#### 14.5 Search and download of KYC record:

- a) VFS India can search for the record by entering CKYC identifier or by entering a valid ID type and number.
- b) VFS India can download single / bulk records by entering CKYC identifier and an authentication factor (viz. date of birth / date of incorporation).

#### 14.6 Update of KYC record:

In case of change of existing information of a customer (including minor turning major) in the records of Central KYC Registry, VFS India will initiate an update request.

- a. The updated data along with the scanned copy of the supporting document, where required, will be uploaded on the Central KYC Registry portal.
- b. In order to initiate an updation request, VFS India will need to have the latest KYC record of the customer.
- c. On updation of a KYC record at the Central KYC Registry, all linked entities (institutions that have either uploaded or downloaded the KYC record for that particular KYC record), will receive an electronic update

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 56 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

notification of KYC record. The entities can download the last updated record of the customer.

#### **14.7 Multiple correspondence addresses:**

Central KYC Registry will enable linkage of multiple correspondence addresses. An individual can fill Annexure-A1 as notified by the regulator from time to time for multiple addresses and submit the details to VFS India, which in turn will initiate the update request on the Central KYC application.

#### **14.8 Processing of Records at Central KYC Registry:**

##### **14.8.1 De-duplication:**

The KYC data uploaded on the Central KYC Registry will go through de-duplication process on the basis of the demographics (i.e. customer name, maiden name, gender, date of birth, mother’s name, father/spouse name, addresses, mobile number, email id etc.) and identity details submitted. The de-dupe process uses normalizer algorithm and custom Indian language phonetics.

- a. Where an exact match exists for the KYC data uploaded, VFS India will be provided with the KYC identifier for downloading the KYC record.
- b. Where a probable match exists for the KYC data uploaded, the record will be flagged for reconciliation by VFS India.

##### **14.8.2 Reconciliation of Probable match:**

- a. Central KYC Registry will provide the probable match cases to VFS India for reconciliation and resolution
- b. Where VFS India confirms the KYC record as an exact match, it will need to download the existing KYC record of the customer.
- c. Where VFS India confirms the KYC record as a “no match”, it shall be forwarded for processing and a unique KYC identifier will be generated for the record.
- d. VFS India will have to resolve the probable matches within 5 working days, beyond which the record will be withdrawn by the Central KYC Registry. However, the same can be uploaded as a new record, if “no match” is found.

##### **14.8.3 ID Match:**

The identity detail will be matched by the Central KYC Registry with the ID issuing authority, wherever feasible and mechanism is established. Where the ID issuing authority does not confirm the ID or the name does not match with

Name of document KYC and AML Policy	Document type Policy		
Security class: Internal	Issue	Date 2023-06-01	Page 57 (57)
Issuer Head – Risk, Neha Kedia	Approved by the Board of Directors on the above Date		

the records therein, the record will not be accepted by the Registry and sent back to VFS India for verification and uploading again with the updated details.

#### 15. Applicability of Law/Notifications

Change in underlying Laws and/or Notifications may supersede the provisions of this policy. At any time if there is any amendment to the applicable Laws and/or Notifications affecting the provisions of this policy, the policy shall be deemed as amended to the extent applicable and the amended provisions will take effect from the date of change in the underlying Laws and/or Notifications. The provisions of this policy may also be amended voluntarily by the board at any time.

#### 16. Periodic Review

In order to ensure that the document is up-to-date, this Policy shall undergo periodic review. The frequency of the reviews shall be at least once every year or earlier upon any relevant change in the legislation. Any changes in this Policy shall be approved by the Board and it becomes effective from the date on which it is approved by the Board.

#### 17. Supporting documents

The following documents provide additional insight into the guidance set out in this Directive:

1. Reserve Bank of India Master Direction - Know Your Customer (KYC) Direction, 2016 updated as on 2023 ([RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015-16, February 25, 2016](#))
2. [VFS Anti-Money Laundering Global Directive](#)
3. Prevention of Money Laundering (Maintenance of Records) Rules, 2005

#### 18. Change Log

Version	Changes	Approval Date
4	Updated with the Amended Master Directions	11 Dec 2023
3	Updated to align with the recent amendments carried out in KYC Master Directions	01 June 2023
2	Annual Review	14 Nov 2022