



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

---

## OCTAL CREDIT CAPITAL LIMITED

### KNOW YOUR CUSTOMER & PREVENTION OF MONEY LAUNDERING POLICY

#### 1. Background

1.1 The Prevention of Money Laundering Act , 2002 (PMLA) has been brought into force with effect from 1st July 2005. As per the provision of the Act and circular no: DNBS(PD).CC.68/03.10.042/2005-06 dated April 5, 2006 issued by Reserve Bank Of India all Companies have to comply with the obligations in terms of Rules notified in Prevention of Money Laundering Act, 2002 (PMLA). Further pursuant to Master Direction DNBR.PD.007/03.10.119/2016-17 dated September 01, 2016 issued by Reserve Bank of India on Non-Banking Financial Company –Non-Systemically Important Non-Deposit taking Company (Reserve Bank) Directions, 2016 and amendments thereof all NBFC having customer interface shall follow the Know Your Customer (KYC) Direction, 2016. The Policy & procedure framework for Know Your Customers and Anti Money Laundering” measures are as follow :

- \_ Maintain a record of prescribed transactions
- \_ Furnish information of prescribed transactions to the specified authority
- \_ Verify and maintain records of identity of clients
- \_ Preserve the records for a period of ten years from the date of cessation of transaction with clients

1.2 As per the provisions of the Act senior management of the company are fully committed to establish appropriate policies and procedures for prevention of money laundering and terrorist financing and ensuring their effectiveness and compliance with all relevant legal and regulatory requirement. They have formulated a system for identifying, monitoring and reporting to law enforcement authorities about suspected transactions occurred for Money laundering and terrorist financing

1.3 We **M/S Octal Credit Capital Ltd** being registered with RBI as NBFC company carrying of business of NBF activities shall maintain a record of all the transaction; the nature & value of which has been prescribed under the Prevention of Money Laundering Act. Such transactions include:

- All cash transactions of the value more than Rs. 10 lacs or its equivalent in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rs. 10 lacs or its equivalent in foreign currency where such series of transactions take place within one month and the aggregate value of such transaction exceeds Rs Ten lacs.
- All suspicious transactions as defined under Rule 2 of the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 whether or not made in cash and including inter-alia, credits or debits into from any non monetary account such as d-mat account, security account maintained by us.
- For the purpose of suspicious transactions reporting, apart from transactions integrally connected, transactions remotely connected or related are also to be considered.

16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)

Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193

E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

## 2. Policy Statement :

**M/S Octal Credit Capital Ltd** is fully committed to combat any effort of laundering money earned through drug trafficking, terrorism and any other means of organized and serious crimes by any individual or entity. Towards this, OCCL has put in place all such processes and procedures of internal control aimed at preventing and impeding any attempt of money laundering and terrorist financing using the services offered by its group companies. The policies and procedures to Combat Money laundering covers :

- Communication of group policies relating to Prevention of Money laundering and terrorist financing to all management and relevant staff that handle account information, securities transactions, money and customers record etc. whether in branches, departments or subsidiaries.
- Customer acceptance policy and customer due diligence measures, including requirements for proper identification .
- Maintenance of records
- Compliance with relevant statutory and regulatory requirements
- Co-operation with the relevant law enforcement authorities, including the timely disclosure of information
- Role of internal audit or compliance function to ensure compliance with policies , procedures and control, including detecting suspected money laundering transactions , evaluating and checking the adequacy of exception reports generated on larger or irregular transaction and level of awareness of front line staff of their responsibilities in this regards.

### (I) Prevention of Money laundering

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

OCCL shall make available all information to the Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorized by OCCL including brokers/agents etc. who are operating in its behalf.

#### **B. Due diligence of persons authorized by OCCL (NBFCs) including brokers/agents etc.**

As an extension of the KYC Guidelines, NBFCs are required to put in place a process of due diligence in respect of persons authorized by NBFC - OCCL including brokers/agents etc. collecting deposits on behalf of the company through a uniform policy for appointment and detailed verification and OCCL shall do the same under the custody of Principal officer. We shall also make available the systems in place to ensure that the books of accounts of persons authorized by OCCL including brokers/agents etc, so far as they relate to brokerage functions of the company, are available for audit and inspection whenever required.

**C.** We shall abide by all the requirements as per 'Know Your Customer' (KYC) Guidelines – Anti Money Laundering Standards (AML) -'Prevention of Money Laundering Act, 2002 - Obligations of NBFCs in terms of Rules notified thereunder' and any amendments thereunder

**D.** Permanent correct address means the address at which a person usually resides and can be taken as the address as mentioned in a utility bill or any other document accepted by the NBFC for verification of the address of the customer. It has been decided to simplify the requirement of submission of 'proof of address' as follows :

**16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)**

**Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193**

**E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)**



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

a) Henceforth, customers may submit only one documentary proof of address (either current or permanent) while opening a deposit account or while undergoing periodic updation. In case the address mentioned as per 'proof of address' undergoes a change, fresh proof of address may be submitted to the OCCL within a period of six months.

b) In case the proof of address furnished by the customer is not the local address or address where the customer is currently residing, the we shall take a declaration of the local address on which all correspondence will be made by us with the customer and shall be verified by our Company.

**E.** OCCL shall conduct a review of risk categorization of customers at a periodicity of not **less** than once in six months and have introduced a system of periodical updation of customer identification data (including photograph/s) after the account is opened. 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.

## **F. Letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number**

Subsequent to the Government of India Notification No. 14/2010/F.No. 6/2/2007-ES dated December 16, 2010, the letter issued by Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number, can be accepted as an officially valid document as contained in Rule 2(1)(d) of the PML Rules, 2005. While opening accounts based on Aadhaar also, OCCL must satisfy themselves about the current address of the customer by obtaining required proof of the same as per extant instructions.

In order to reduce the risk of identity fraud, document forgery and have paperless KYC verification, UIDAI has launched its e-KYC service. Accordingly, it has been decided to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

Our NBFCs is in process of implementing Unique Customer Identification Code (UCIC) to all their customers while entering into any new relationships.

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

Detailed guidelines on Customer Due Diligence (CDD) measures to be made applicable to Politically Exposed Person (PEP) and their family members or close relatives. In the event of an existing customer or the beneficial owner of an existing account, subsequently becoming a PEP, we shall obtain senior management approval to continue the business relationship and subject the account to the CDD measures as applicable to the customers of PEP category including enhanced monitoring on an ongoing basis.

## **H. Client accounts opened by professional intermediaries**

If the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. We shall also , if available hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.

Therefore, we shall not allow opening and/or holding of an account on behalf of a client/s by professional intermediaries, like Lawyers and Chartered Accountants, etc., who are unable to disclose true identity of the owner of the account/funds due to any professional obligation of customer confidentiality.

**16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)**

**Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193**

**E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)**



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

---

## I. Accounts of proprietary concerns

Apart from following the extant guidelines on customer identification procedure as applicable to the proprietor, we shall call for and verify the following documents before opening of accounts in the name of a proprietary concern:

- i) Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.
- ii) Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority/ Department. We may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account.
- iii) The 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.
- iv) Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.
- v) Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

## J. Principal Officer

With a view to enable our Principal Officer to discharge his responsibilities, the Principal Officer and other appropriate staff should have timely access to customer identification data and other CDD information, transaction records and other relevant information. The Principal Officer is able to act independently and report directly to the senior management or to the Board of Directors. The role and responsibilities of the Principal Officer shall include overseeing and ensuring overall compliance with regulatory guidelines on KYC/AML/CFT issued from time to time and obligations under the Prevention of Money Laundering Act, 2002, rules and regulations made thereunder, as amended from time to time.

## K. Suspicion of money laundering/terrorist financing

With a view to prevent our Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing and pose a low risk, we shall carry out full scale customer due diligence (CDD) before opening an account.

## L. Filing of Suspicious Transaction Report (STR)

If OCCL believes that it would no longer be satisfied that it knows the true identity of the account holder, the Company shall file an STR with FIU-IND.

16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)

Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193

E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

## (II) Obligation of OCCL:

a. NBFCs were advised to appoint a Principal Officer and put in place a system of internal reporting of suspicious transactions and cash transactions of Rs.10 lakhs and above. In this connection, Government of India, Ministry of Finance, Department of Revenue, issued a notification dated July 1, 2005 in the Gazette of India, notifying the Rules under the Prevention of Money Laundering Act (PMLA), 2002. In terms of the Rules, the provisions of PMLA, 2002 came into effect from July 1, 2005. Section 12 of the PMLA, 2002 casts certain obligations on the NBFCs in regard to preservation and reporting of customer account information.

### b. Maintenance of records of transactions

NBFCs should have a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below:

- (i) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- (ii) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- (iii) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- (iv) all suspicious transactions whether or not made in cash and in manner as mentioned in the Rules framed by Government of India under the Prevention of Money Laundering Act, 2002.

### c. Information to be preserved

NBFCs are required to maintain following information in respect of transactions referred to in Rule 3:

- (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.

### d. Maintenance and Preservation of records

NBFCs should take appropriate steps to evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. The identification records and transaction data should be made available to the competent authorities upon request.

However, records pertaining to the identification of the customer and his 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, as indicated in the paragraph, would continue to be preserved for at least ten years after the business relationship is ended as required under Rule 10 of the Rules .

### e. Reporting to Financial Intelligence Unit-India

In terms of the PMLA rules, we shall report information relating to cash and suspicious transactions to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

**Director, FIU-IND,  
Financial Intelligence Unit-India,  
6th Floor, Hotel Samrat,  
Chanakyapuri,**

**16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)**

**Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193**

**E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)**



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

---

## New Delhi-110021

NBFCs were also advised to initiate urgent steps to ensure electronic filing of cash transaction report (CTR) as early as possible.

NBFCs should scrupulously adhere to the following:

(i) The cash transaction report (CTR) for each month should be submitted to FIU-IND by 15th of the succeeding month. While filing CTR, individual transactions below rupees fifty thousand may not be included. Cash transaction reporting by branches/offices of NBFCs to their Principal Officer should invariably be submitted on monthly basis (**not on fortnightly basis**) and the Principal Officer, in turn, should ensure to submit CTR for every month to FIU-IND within the prescribed time schedule;

ii) The Suspicious Transaction Report (STR) should be furnished within 7 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature. The Principal Officer should record his reasons for treating any transaction or a series of transactions as suspicious.

(iii) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND;

(iv) Utmost confidentiality should be maintained in filing of CTR and STR with FIU-IND. The reports may be transmitted by speed/ registered post, fax, email at the notified address;

v) It should be ensured that the reports for all the branches are filed in one mode i.e. electronic or manual;

(vi) A summary of cash transaction report for the NBFC as a whole may be compiled by the Principal Officer of the NBFC in physical form as per the format specified. The summary should be signed by the Principal Officer and submitted both for manual and electronic reporting.

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

g. In regard to CTR, the cut-off limit of Rupees ten lakh is applicable to integrally connected cash transactions also. Further, after consultation with FIU-IND, it is clarified that:

i) For determining integrally connected cash transactions, OCCL should take into account all individual cash transactions **in an account during a calendar month**, where either debit or credit summation, computed separately, exceeds Rupees ten lakh during the month. However, while filing CTR, details of individual cash transactions below rupees fifty thousand may not be indicated.

ii) CTR should contain only the transactions **carried out by the OCCL on behalf of its clients/customers** excluding transactions between the internal accounts of the NBFC;

iii) All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine should be reported by the Principal Officer to FIU-IND immediately in the format (Counterfeit Currency Report – CCR) as per Annex-II . Electronic data structure has been furnished in Annex-IV to enable NBFCs to generate electronic CCRs. These cash transactions should also include transactions where forgery of valuable security or documents has taken place and may be reported to FIU-IND in plain text form.

16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)

Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193

E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

h. In terms of instructions contained in the guidelines on 'Know Your Customer Norms' and 'Anti-Money Laundering Measures' of our circular dated February 21, 2005, NBFCs are required to prepare a profile for each customer based on risk categorization. Further, vide paragraph 4 of our circular DNBS(PD). CC 68 /03.10.042/2005-06 dated April 5, 2006, the need for periodical review of risk categorization has been emphasized.

i. NBFCs are 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. These records are required to be preserved for ten years as is required under PMLA, 2002. Such records and related documents should be made available to help auditors in their work relating to scrutiny of transactions and also to Reserve Bank/other relevant authorities.

j. While making STRs, NBFCs should be guided by the definition of 'suspicious transaction' as contained in Rule 2(g) of Rules *ibid*. NBFCs 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.

k. Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Amendment Rules, 2009/10 - Obligation of banks/Financial institutions

Government of India vide its Notifications No.13/2009/F.No.6/8/2009-ES dated November 12, 2009, February 12, 2010 and June 16, 2010 amended the Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005. NBFCs and RNBCs were advised to study details of notification and the amendments clearly noted and spread across their organization and to strictly follow the amended provisions of PMLA Rules and ensure meticulous compliance with these Rules.

## I. Assessment and Monitoring of Risk

The Government of India had constituted a National Money Laundering/Financing of Terror Risk Assessment Committee to assess money laundering and terror financing risks, a national AML/CFT strategy and institutional framework for AML/CFT in India. Assessment of risk of Money Laundering /Financing of Terrorism helps both the competent authorities and the regulated entities in taking necessary steps for combating ML/FT adopting a risk-based approach. Accordingly, NBFCs were advised to take steps to identify and assess their ML/FT risk for customers, countries and geographical areas as also for products/ services/ transactions/delivery channels, in addition to what has been prescribed in Annex VI of the act .

### (III) Combating financing of terrorism

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. NBFCs were, therefore, advised to develop suitable mechanism through appropriate policy framework for enhanced monitoring of 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.

16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)

Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193

E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

1. 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). We shall 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> .

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

3. In the context of creating KYC/AML awareness among the staff and for generating alerts for suspicious transactions, NBFCs may consider the indicative list of suspicious activities contained in Annex-V of the CC No.126 dated August 05, 2008.

4. Monitoring : Ongoing monitoring is an essential element of effective KYC procedures. It is advised that NBFCs should examine the background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations.

#### **(IV). Operation of deposit account with NBFCs and money mules**

NBFCs were advised to strictly adhere to the guidelines on KYC/AML/CFT issued from time to time and to those relating to periodical updation of customer identification data after the account is opened and also to monitoring of transactions in order to protect themselves and their customers from misuse by such fraudsters.

NBFCs were also advised to ensure that their accounts in banks are not used for the purpose of money laundering in the manner specified above.

These guidelines are issued under Sections 45K and 45L of the RBI Act, 1934 and any contravention of the same or non-compliance will attract penalties under the relevant provisions of the Act. and Rule 7 of Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing Information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005.

#### **(V). Inter-Governmental Agreement (IGA) with United States of America (US) under Foreign Accounts Tax Compliance Act (FATCA)- Registration**

Government of India (GoI), has advised that India and US have reached an agreement in substance on the terms of an Inter-Governmental Agreement (IGA) to implement FATCA and India is now treated as having an IGA in effect from April 11, 2014. However, IGA would be signed only after the approval of Cabinet. Subsequently the Bank issued the Circular DBOD.AML. No.20472/14.07.018/2013-14 dated June 27, 2014.

#### **List of Suspicious Activities**

1. An Indicative List of Suspicious Activities Transactions Involving Large Amounts of Cash
2. Transactions that do not make Economic Sense
3. Activities not consistent with the Customer's Business
4. Attempts to avoid Reporting/Record-keeping Requirements
5. Unusual Activities

**16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)**

**Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193**

**E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)**





# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

6. Customer who provides Insufficient or Suspicious Information
7. Certain NBFC Employees arousing Suspicion
8. Some examples of suspicious activities/transactions to be monitored by the operating staff

- Large Cash Transactions
- Multiple accounts under the same name
- Sudden surge in activity level
- Same funds being moved repeatedly among several accounts

## **'KNOW YOUR CUSTOMER' NORMS**

### **A. 'Know Your Customer' Standards**

The objective of KYC guidelines is to prevent NBFC from being used, intentionally or unintentionally, by criminal elements for money laundering activities. NBFC should frame their KYC policies incorporating the following four key elements:

- (i) Customer Acceptance Policy;
- (ii) Customer Identification Procedures;
- (iii) Monitoring of Transactions; and
- (iv) Risk management.

### **B. Customer Acceptance Policy (CAP)**

As a measure of customer acceptance policies and procedures the following safeguards are to be followed while accepting the clients:

- No account is opened in anonymous or fictitious/ benami name(s);
- Parameters of risk perception are clearly defined in terms of the nature of business activity, location of customer and his clients, mode of payments, volume of turnover, social and financial status etc. to enable categorization of customers into low, medium and high risk.
- Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PML Act, 2002 and guidelines issued by Reserve Bank from time to time;
- Not to open an account or close an existing account where the NBFC is unable to apply appropriate customer due diligence measures.
- Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practice of banking as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in the fiduciary capacity and
- Necessary checks before opening a new account so as 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 etc.
- NBFC may prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to customer's identity, social/financial status, nature of business activity, information about his clients' business and their location etc.

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

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. NBFC need to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the intended nature of banking relationship.

For customers that are legal persons or entities, the NBFC should

**16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)**

**Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193**

**E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)**



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

---

- (i) verify the legal status of the legal person/ entity through proper and relevant documents
- (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person,
- (iii) understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

Rule 9(IA) of the Prevention of Money Laundering Rules, 2005 required every banking company, and financial institution, to identify the beneficial owner and take all reasonable steps to verify his identity. The term "beneficial owner" has been defined as the natural person who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person. Government of India has since examined the issue and has specified the procedure for determination of Beneficial Ownership. The procedure as advised by the Government of India is as under:

A. Where the client is a person other than an individual or trust, the banking company and financial institution, as the case may be, shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the following information:

- (i) The identity of the natural person, who, whether acting alone or together, or through one or more juridical person, exercises control through ownership or who ultimately has a controlling ownership interest.
- (ii) In cases where there exists doubt under (i) as to whether the person with the controlling ownership interest is the beneficial owner or where no natural person exerts control through ownership interests, the identity of the natural person exercising control over the juridical person through other means.
- (iii) Where no natural person is identified under (i) or (ii) above, the identity of the relevant natural person who holds the position of senior managing official.

B. Where the client is a trust, the banking company and financial institution, as the case may be, shall identify the beneficial owners of the client and take reasonable measures to verify the identity of such persons, through the identity of the settler of the trust, the trustee, the protector, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

C. Where the client or the owner of the controlling interest is a company listed on a stock exchange, or is a majority-owned subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

## **D. Monitoring of Transactions**

NBFC s should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

- The NBFC may prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the NBFC.
- Every NBFCs should set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors.
- NBFCs should ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. It may also be ensured that transactions of suspicious nature and/ or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority.

**16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)**

**Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193**

**E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)**



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

- NBFCs should ensure that its branches continue to maintain proper record of all cash transactions (deposits and withdrawals) of Rs.10 lakh and above. The internal monitoring system should have an inbuilt procedure for reporting of such transactions and those of suspicious nature to controlling/ head office on a fortnightly basis.

## E. Risk Management

The Board of Directors shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It should cover proper management oversight, systems and controls, segregation of duties, training and other related matters.

Responsibility should be explicitly allocated for ensuring that the policies and procedures are implemented effectively. The Company shall in consultation with their boards, devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or banking/business relationship.

The compliance function shall provide an independent evaluation of the its own policies and procedures, including legal and regulatory requirements.

## F. Customer Education

While implementation of KYC there is demand for certain information from customers which may be of personal nature or which has hitherto never been called for. There is, therefore, a need to prepare specific literature/ pamphlets etc. so as to educate the customer of the objectives of the KYC programme

## G. Introduction of New Technologies – Credit cards/debit cards/smart cards/gift cards

NBFC should pay special attention to any money laundering threats that may arise from new or developing technologies including internet banking that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes. In case of NBFCs this policy may be adopted in respect of issue of credit cards as NBFCs are not permitted to issue debit cards, smart cards, stored value cards, charge cards, etc.

## H. KYC for the Existing Accounts

NBFC were advised vide our circulars DBOD.AML.BC.47/14.01.001/2003-04, DBOD.AML.129/14.01.001/2003-04 and DBOD.AML.BC.No.101/14.01.001/ 2003-04 dated November 24, 2003, December 16, 2003 and June 21, 2004 respectively to apply the KYC norms advised vide our circular DBOD. No. AML.BC.18/ 14.01.001/ 2002-03 dated August 16, 2002 to all the existing customers in a time bound manner. **[NBFCs were advised, vide our circular DNBS(PD) CC No. 34/2003-04 dated January 6, 2004 to apply the KYC norms to all the existing customers in a time bound manner.]** While the revised guidelines will apply to all new customers, NBFCs should apply the same to the existing customers on the basis of materiality and risk. However, transactions in existing accounts should be continuously monitored and any unusual pattern in the operation of the account should trigger a review of the CDD measures. Where the NBFC is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the NBFC may consider closing the account or terminating the banking/business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

## I. Applicability to branches and subsidiaries outside India

The above guidelines shall also apply to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local

16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)

Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193

E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

laws permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of Reserve Bank.

## **J. Appointment of Principal Officer**

NBFC may appoint a senior management officer to be designated as Principal Officer. Principal Officer shall be located at the head/corporate office of the NBFC and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, NBFC and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

## **K. Appointment of Designated Director**

NBFC board to appoint Designated Director who may be Managing Director or Whole Time Director of the company and it shall ensure overall compliance with the obligations imposed under chapter IV of the PML Act and Rules thereon.

## **Customer Identification Requirements – Indicative Guidelines :**

### ➤ **Trust/Nominee or Fiduciary Accounts**

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. NBFC should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, NBFC may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place.

### ➤ **Accounts of companies and firms**

NBFC need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with NBFC. NBFC should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management.

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

When the NBFC has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. NBFC may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. NBFC also maintain 'pooled' accounts managed by lawyers/chartered accountants or stockbrokers for funds held 'on deposit' or 'in escrow' for a range of clients. Where funds held by the intermediaries are not co-mingled at the NBFC and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified.

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

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country. NBFC should gather sufficient information on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. NBFC should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer.

**16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)**

**Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193**

**E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)**



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

## ➤ Accounts of non-face-to-face customers

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for.

## ➤ Correspondent Banking

Correspondent banking is the provision of banking services by one bank (the “correspondent bank”) to another bank (the “respondent bank”). These services may include cash/funds management, international wire transfers, drawing arrangements for demand drafts and mail transfers, payable-through-accounts, cheques clearing, etc. NBFC should refuse to enter into a correspondent relationship with a “shell bank” (i.e. a bank which is incorporated in a country where it has no physical presence and is unaffiliated to any regulated financial group). Shell banks are not permitted to operate in India.

### **Verification of the Records of the Identity of Clients:-**

(1) We shall, at the time of executing any transaction with it, verify and maintain the record of identity and current address or addresses including permanent address or addresses of the client, the nature of business of the client and his financial status;

Provided that where it is not possible to verify the identity of the client at the time of executing any transaction, we shall verify the identity of the client within a reasonable time after the account has been opened or the transaction has been executed.

(2) Where the client is an **individual**, he shall submit to us, ( Un-expired original document should be verified)

- PAN Card
- Passport
- Voter ID
- Driving license
- Aadhaar (UDIAI)
- Identity Card (Subject to NBFC Satisfaction)
- Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of NBFC

**Proof of address:** Any of the following address proof to be obtained (unexpired Original should be verified)

- Aadhaar
- Bank pass book/ statement
- Ration card
- Latest Telephone bill
- Latest Electricity Bill
- Letter from any recognized public authority
- Letter from employer (subject to satisfaction of the NBFC)

(3) Where the client is a **Company**, certified copies of the following documents shall be obtained:

- Certificate of Incorporation
- Memorandum and Articles of Association
- Board resolution to open account & identification of those who have authority to operate account
- Pan card
- Power of Attorney granted to its managers, officers or employees to transact business on its behalf
- Address proof

16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)

Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193

E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)



# OCTAL CREDIT CAPITAL LIMITED

CIN – L74140WB1992PLC055931

---

(4) Where the client is a **Partnership firm**, certified copies of the following documents

- Registration certificate, if registered
- Partnership deed
- Identification documents (identity and personal address) for the above as applicable to individuals in respect of partners, managers, officers or employees holding an attorney to transact on its behalf.
- Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- Telephone bill in the name of firm/partners

(5) Where the client is a **Propriety concern**, it shall submit certified copies of following documents :

- Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence issued by the Registering authority like

Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.

- Any registration / licensing document issued in the name of the proprietary concern by the Central Government or State Government Authority / Department. NBFCs/RNBCs may also accept IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT as an identity document for opening of account.
- The 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.
- Utility bills such as electricity, water, and landline telephone bills in the name of the proprietary concern.
- Any two of the above documents would suffice. These documents should be in the name of the proprietary concern.

(6) Where the client is a **Trust**, certified copies of the following documents;

- Registration certificate
- Trust deed and
- Proof of identity and address of the trustees as applicable to the individuals.
- Certificate /license issued by the Municipal Authorities & other regulatory authorities under relevant acts
- Resolution of the managing body of the foundation/association
- Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf

16A, Shakespeare Sarani, Unit II, 2nd Floor, Kolkata 700 071 (India)

Phone: (033) 2282-6815,2282-6818,2282-6899 | Fax: (033) 2231-4193

E-mail : [octal1@cal2.vsnl.net.in](mailto:octal1@cal2.vsnl.net.in), [octalcredit1992@gmail.com](mailto:octalcredit1992@gmail.com), website : [www.occl.co.in](http://www.occl.co.in)