

**TAMIL NADU TRANSPORT DEVELOPMENT FINANCE CORPORATION LIMITED,
CHENNAI - 600 002.**

KNOW YOUR CUSTOMER (KYC) and ANTI-MONEY LAUNDERING (AML) POLICY

1. INTRODUCTION

1.1 TDFC has in place a policy on KNOW YOUR CUSTOMER (KYC) norms and ANTI MONEY LAUNDERING (AML) measures approved by the Board in its 230th Meeting held on 29.07.2021. The policy is based on the prevailing guidelines issued by RBI.

1.2 The KYC guidelines have regularly been guided by RBI in the context of the recommendations made by the FATF and PMLA on AML standards and on CFT. These guidelines advise TDFC to follow certain Customer Identification Procedure for monitoring transactions of a suspicious nature for the purpose of reporting it to appropriate authority.

1.3 RBI vide its Master Circulars on "Know Your Customer (KYC) norms /• Anti Money Laundering(AML) Standards / Combating of Financing of Terrorism (CFT)/ obligation of TDFC under PMLA, 2002", advise TDFC to put in place a policy on 'Know Your Customer' and Anti-Money Laundering measures including the above referred recommendations with the approval of the Board.

1.4 RBI has issued guidelines under Section 35A of the Banking Regulation Act, 1949 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 and any contravention thereof or non-compliance may attract penalties under Banking Regulation Act.

1.5 This policy has been compiled taking into account cognizance of the guidelines enumerated in aforesaid RBI Master Circular dated July 1, 2014.

2. OBJECTIVES OF THE POLICY

2.1 To lay down policy framework for abiding by the Know Your Customer Norms and Anti Money Laundering Measure as set out by RBI.

2.2 To prevent the TDFC from being used, intentionally or unintentionally, by criminal elements for money laundering or financing terrorist activities.

2.3 To enable the TDFC to know / understand its customers and their financial dealings better, which in turn would help it to manage its risks prudently.

2.4 To Put in place appropriate controls for detection and reporting of suspicious activities in accordance with applicable laws / laid down procedures regulatory guidelines.

2.5 To take necessary steps to ensure that the dealing staff is adequately trained in KYC/AML procedures.

3. SCOPE OF THE POLICY

3.1 This policy is applicable to TDFC and is to be read in conjunction with related operational guidelines issued from time to time.

3.2 The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications which may be advised by RBI and / or by (PMIA and its amendments)/ or by any regulators and / or by Bank from time to time.

4. DEFINITIONS AND EXPLANATIONS OF VARIOUS TERMS

4.1 Customer

4.1.1. For the purpose of KYC policy, a 'Customer' is defined as:

- i. A person or entity that deposit amount with the TDFC;
- ii. A Beneficial Owner; and
- iii. Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted Under the law.

4.2 Beneficial Owner (BO)

4.2.1. As per Government of India Notification dated February 12, 2010 – Rule 9, sub-rule (I A) of PMLA Rules - 'Beneficial Owner' means the natural person who ultimately owns or controls a client and or the person on whose behalf a transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person.

4.2.2. **Determination of Beneficial Owner BO** The beneficial owner shall be determined as under-

(a) **Where the client is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.

Explanation. - For the purpose of this sub-Clause-

1. "Controlling ownership interest" means ownership of or entitlement to more than twenty-five percent of shares or capital or profits of the company;

2. "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;

(b) **where the client is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than fifteen percent of capital or profits of the partnership;

(c) **where the client is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital Or profits of such association or body of individuals;

(d) **where no natural person is identified** under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;

(e) **where the client is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with fifteen percent or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership; and

(f) **where the client or the owner of the controlling interest is a company listed on a stock exchange**, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

4.3 Money Laundering

4.3.1 Section 3 of the Prevention of Money Laundering (PMI) Act 2002 has defined the "offence of money laundering" as under:

"whosoever, directly or indirectly, attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the **proceeds of crime including its Concealment possession, acquisition or Use** and projecting or claiming it as Untainted property shall be guilty of offence of money laundering".

4.4 Non Profit Organization

4.4.1 Non Profit Organization (for the purpose of this policy) means any entity or organization that is registered as a trust or a society under the Societies Registration Act 1860 (21 of 1860) or any similar State legislation or a company registered under section 25 of the Companies Act, 1956 (1 of 1956);

4.5 Transaction

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

(i) opening of an account;

(ii) deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;

(iii) the use of a safety deposit box or any other form of safe deposit;

(iv) entering into any fiduciary relationship;

(v) any payment made or received in whole or in part of any contractual or other legal obligation

(vi) any payment made or received in whole or in part of any contractual or other legal obligation; any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and

(vii) establishing or creating a legal person or legal arrangement

4.6 Suspicious Transaction

4.6.1 suspicious transaction (for the purpose of this policy) means a transaction (as defined above), including an attempted transaction, 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 PMI Act, regardless of the value involved; or
- (b) appears to be made in circumstances of unusual or unjustified
- (c) appears to have no economic rationale or bonafide 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 act or by a terrorist, terrorist organization or those who finance or are attempting financing of terrorism."

4.7 Officially Valid Document"

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

A proviso has been added to the definition of 'officially valid document' which states that where simplified measures are applied for verifying the identity of the clients the following documents shall be deemed to be (officially valid documents:

- (a) identity card with applicant's Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertakings, Scheduled Commercial Banks, and Public Financial Institutions;
- (b) letter issued by a gazetted officer, with a duly attested photograph of the person;

4.8 Client Due Diligence

At the time of deposit -

Identification of clients, verification of their identity, obtaining information on the purpose and intended nature of the business relationship; and

determining whether a client is acting on behalf of a beneficial owner, identification of the beneficial owner and taking all steps to verify the identity of the beneficial owner:

5. KYC POLICY GUIDELINES

There are four key elements to the KYC guidelines as set out by RBI

1. Customer Acceptance Policy;

2. Customer Identification Procedures;
3. Monitoring of Transactions; and
4. Risk Management

5.1 Customer Acceptance Policy (CAP)

5.1.1 The guidelines for Customer Acceptance Policy (CAP) for the TDFC are given below:

- i) No Fixed Deposit should be opened in anonymous or fictitious/ benami name.
- ii) No Fixed Deposit should be opened, if TDFC is unable to apply appropriate customer due diligence measures i.e. TDFC is unable to verify the identify and / or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data / information furnished to the TDFC. While carrying out due diligence it would be ensured that there is no harassment to the customer. The existing deposit where the TDFC is not able to apply appropriate customer due diligence measures may be considered to be closed. The decision to closing of deposit would be taken by the authorities of TDFC Ltd.
- iii) Risk perception of different types of customers taking into account the background of the customer, nature of business activity, location of customer / activity and profile of his / her clients, country of origin, sources of funds, mode of payments, volume of turnover, social and financial status etc. shall be decided based on the relevant information provided by the customer at the time of depositing amount. The intensive due diligence would be required for higher risk customers, especially those for whom the sources of funds are not clear.
- iv) TDFC shall take steps to assess the risk to customers, identity and countries and Money Laundering areas as also for products / services / transactions / delivery channels. The risk assessment carried out shall consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied.
- v) The nature and extent of due diligence shall depend on the risk categorization of the customer. While collecting customer profile, care shall be taken to seek only such information from the customer, which is relevant to the risk category and is not intrusive. The customer detail is a confidential document and details contained therein should not be divulged for cross selling or any other purposes.
- vi) Indicative information to be obtained from the customer at the time of depositing for the purpose of collecting customer profile is as per application issued by TDFC Ltd. The information to be sought from the customer would be reviewed by TDFC authorities from time to time based on the guidelines issued by RBI and also depending upon business requirement and composition of the customers.
- vii) Customers shall be accepted after verifying their identity as laid down in customer identification procedures. Documentation requirements and Other information shall be collected in respect of different Categories of customers depending on the Act, 2002 on perceived risk and / keeping guidelines in the requirements of PML and instructions issued by RBI / TDFC from time to time.

viii) Documentation re of deposit are advised to the authorities of TDFC from time to time through circulars based on RBI and TDFC's internal guidelines. The documentation requirements for completing the KYC are reviewed from comply e, based on emerging business needs of the TDFC and shall with the overall guidelines issued by RBI from time to time.

5.2 The Role and Responsibilities for KYC verification

The basic check shall be done by the authorized officials of TDFC LTD.

5.3 Alternatives / Approvals

As per RBI guidelines, TDFC would not have the discretion to accept any other document for KYC purpose for an individual customer, therefore any deviations are exemptions are not permitted for Officially Valid Documents for KYC of an individual customer.

In normal circumstances no deviations or exemptions shall be permitted in the documents specified even for deposits of non-individuals. However, in certain genuine cases, General Managers of the respective businesses in Zones can approve alternate documents, if they are satisfied that the underlying guidelines of KYC and AML which is communicated by RBI and TDFC from time to time are not Compromised.

5.3.1 TDFC no longer knows the true identity

In the circumstances when it is believed that TDFC can no longer be satisfied that it knows the true identity of the deposit holder, a STR with FIU-IND shall be filed.

5.4 Monitoring of Transactions

(a) Ongoing monitoring is an essential element of effective KYC procedures. Risk can be effectively controlled and reduced only if an understanding of the normal and reasonable activity of the customer is available to identify transactions that fall outside the regular pattern of activity. However, the extent of monitoring shall depend on the risk sensitivity of the deposit. Special attention shall be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose. High-risk deposits shall be subjected to intensified monitoring. The AML Cell shall view the deposits, taking note of the background of the customer, such as the country or origin, country of origin' sources of funds, the type of transactions involved, transactions inconsistent with the risk categorization and other risk factors. TDFC shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. Such review of risk categorization of customers shall be carried out at a periodicity.

(b) Ongoing due diligence with respect to the business relationship with every client shall be exercised and the transaction shall be examined closely in order to ensure that they are consistent with their knowledge of the client, his business and risk Profile and where necessary the source of funds.

(c) Any remittance of funds by way of demand draft, mail/telegraphic transfer or any Other mode and issue of travelers' cheques for any value above should be effected by debit to the customer's account or against cheques of any value above should be effected by debit to customer's account or against cheques and not against cash payment.

(d) The provisions of Foreign Contribution (Regulation) Act, 1976 as amended . from time to time, wherever applicable shall be strictly adhered to.

5.5 Risk Management

5.5.1 TDFC is exposed to the following risks which arise out of Money Laundering activities and non-adherence of KYC standards.

(a) Reputation Risk : Risk of loss due to severe impact in TDFC's reputation. This may be of particular concern given the nature of the TDFC's business, which requires the confidence of Regulators, depositors, creditors and the general public.

(b) Compliance Risk: Risk of loss due to failure of compliance with key regulators governing the TDFC's operations.

(c) Operational Risk: Risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events.

(d) Legal Risk: Risk of loss due to any legal action the TDFC or its staff may face due to failure to comply with the law of the land.

5.5.2 For the purpose of effective implementation of KYC policy and AML Standards, Anti Money Laundering Cell headed by the Principal Officer shall monitor transactions in all customer deposits on concurrent basis with IT to meet the requirements of KYC policy and AML standards.

5.5.3 All transactions Of SUSPICIOUS nature shall be reported to Principal Officer as and when the transactions are found to be suspicious by the authorities / employees of TDFC Ltd. The Principal Officer of the TDFC shall ensure that such reporting system is in place and shall monitor the generation and receipt of the daily summary reports.

5.5.4 TDFC shall review and set UP various limits relevant for KYC and AML standards

5.5.5 TDFC's Internal Audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and Procedures. The compliance function would provide an independent evaluation of the TDFC's own policies and procedures, including legal and regulatory requirements. Internal Auditors shall specifically check and verify the application of KYC procedures.

6. OBLIGATIONS UNDER PREVENTION OF MONEY LAUNDERING (PML) ACT 2002

Section 12 of PML Act 2002 issued by the Central Government, Ministry of finance Department of Revenue vide its notification dated July 1, 2005 and subsequent; notifications, places certain obligations on every Banking company, institution and intermediary, which include:

- I) Maintenance of records of transactions .
- II) Information to be preserved
- III) Maintenance and preservation of record
- IV) Reporting to Financial Intelligence Unit — India

6.1 Suspicious Transaction Reports (STR)

i) While determining suspicious transactions, TDFC shall be guided by definition of suspicious transaction.

ii) In some cases, transactions may be abandoned / aborted by custom on being asked to give some details or to provide documents. All attempted transactions should be reported in STRs, even if completed by customers, irrespective of the amount of the deposit•

iii) STRs shall be made if there is reasonable ground to believe that the transaction generally involves proceeds of crime irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

iv) The STR shall be furnished within 7 days of arriving at a conclusion that any transaction, or a series of transactions integrally connected are of suspicious nature. The Principal Officer shall record his / her reasons for treating any transaction or a series of transactions as suspicious. It should be ensured that there is no undue delay in arriving at such a conclusion once a suspicious transaction report is received from a branch or any other office. Such report should be made available to the competent authorities on request.

v) In the context of creating KYC/AML awareness among the staff and for generating alerts for SUSPICIOUS transactions, TDFC train the staffs on

vi) No restrictions shall be put on depositing amount where on STR has been made. The fact of furnishing of STR shall be kept strictly confidential, as required under PML Rules. Customer shall not be tipped off at any level.

7. WIRE TRANSFER

7.1 TDFC is using wire transfers as an expeditious method for transferring funds between TDFC accounts. Wire transfers include transactions occurring within the national boundaries of a country or from one country to another. As wire transfers do not involve actual movement of currency, they are considered as a rapid and secure method for transferring value from one location to another.

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

7.3 Wire transfer is an instantaneous and most preferred route for transfer of funds across the globe and hence, there is a need for preventing terrorists and other criminals from having unfettered access to wire transfers for moving their funds and for detecting any misuse when it occurs. This can be achieved if basic information on the originator of wire transfers is immediately available to appropriate law enforcement and/or prosecutorial authorities in order to assist them in detecting, investigating, prosecuting terrorists or other criminals and tracing their assets. The information can be used by Financial Intelligence Unit - India (FIU-IND) for analysing suspicious or unusual activity and disseminating it as necessary. The originator information can also be put to use by the beneficiary TDFC to facilitate identification and reporting of suspicious transactions to FIUIND. Owing to the potential terrorist financing threat posed by small wire transfers, the objective is to be in a position to trace all wire transfers minimum threshold limits. Accordingly, TDFC shall ensure that all transfers are accompanied by the following information:

8. STANDING COMMITTEE ON KYC AML (SCKYC)

The Committee would monitor present and policy of KYC AML, improve systems and processes in this area to enable smooth compliance with RBI guidelines, put in place systems for combating financing of terrorism, approve documents to be accepted for depositing amount based on industry practice and consider any changes based on the feedback from various Verticals within the framework of RBI guidelines on KYC and AML.

9. PRINCIPAL OFFICER

9.1 A Senior Management Officer of the TDFC shall be designated as Principal Officer of the TDFC and he / she shall be responsible for monitoring and reporting of all transactions and sharing of information as required Under the law. Principal Officer will maintain close liaison with other institution which are involved in the fight against money laundering and combating financing of terrorism. The Principal Officer shall act independently and report directly to the Managing Director or to the Board of Directors.

9.2 Further, 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.

9.3 With a view to enabling the Principal Officer to discharge his responsibilities effectively, the Principal Officer and other appropriate staff shall have timely access to customer data and other relevant information.

10. CUSTOMER EDUCATION / EMPLOYEE'S TRAINING / EMPLOYEE'S HIRING

10.1 **Customer Education** Implementation of KYC procedures requires certain information from customers which may be of personal nature. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. Hence specific literature pamphlets etc. shall be prepared to educate the customer of objectives of the KYC programme. The front desk staff shall be specially trained to handle such situations while dealing with customers.

10.2 **Employee's Training:** An ongoing employee training programme shall be in place so that the members of the staff are adequately trained in KYC procedures. Training requirements should have different focuses for frontline staff, compliance staff and staff dealing with new customers. It is crucial that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

10.3 **Hiring of Employees** KYC norms/AML Standards have been prescribed to ensure that criminals are not allowed to misuse the TDFC channels. Hence TDFC shall put adequate in place as an integral part of its recruitment/hiring process of personnel.

11. GENERAL

11.1 TDFC shall ensure that the information collected from the customer for the purpose of depositing amount shall be treated as confidential and details therefore shall not be divulged for cross selling or any other similar purposes. TDFC shall ensure that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer shall be sought separately with his or her consent for depositing amount.

11.2 If there is a change in address of the customer, in order to comply with KYC requirements of correct address of the person, fresh address proof shall be obtained from the customer upon such transfer by the transferee branch.

12. POLICY UPDATE REVIEW

12.1 The policy is governed by the prevailing other Policies of the TDFC and will comply with the extant Regulatory / Statutory guidelines. Any subsequent changes in the policies / guidelines, if any, will form part of the said policy.

12.2 Updation or modification to the policy shall be initiated by the Corporation as per requirements keeping in view the RBI guidelines on KYC/AML

12.3 The modifications / updates to the policy may also be initiated by Principal Officer based on the analysis of transactions monitored in customer deposits / operational risk events.

12.4 The Policy shall be put up for review to the Board of Directors when required by the Principal Officer.

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Joint Managing Director