

TAMILNADU URBAN FINANCE AND INFRASTRUCTURE
DEVELOPMENT CORPORATION LIMITED

KNOW YOUR CUSTOMER (KYC) POLICY

REGISTERED OFFICE: TUFIDCO-POWERFIN TOWER, NO.490/1-2, ANNA SALAI, NANDANAM, CHENNAI 600 035.

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I. PREAMBLE

Tamil Nadu Urban Finance and Infrastructure Development Corporation Limited (TUFIDCO) is essentially a Loan company and categorized as a deposit taking Non-Banking Financial Company (NBFC) i.e. a Regulated Entity as defined under section 3 (b) (xiii) of the master direction dated 25-02-2016 issued in respect of KYC Policy by the Reserve Bank of India.

The Main Object of the Corporation is providing financial assistance and guidance to Local Bodies, Corporations, Boards, Authorities and Parastatal Agencies for the infrastructure developments schemes. TUFIDCO is the nodal agency for implementation of government schemes in the state.

The Know Your Customer (KYC) Policy of the Corporation is framed in accordance to the master direction of Reserve Bank of India:-

Reserve Bank of India (RBI) on February 25, 2016 (bearing ref no. RBI/DBR/2015-16/18 DBR.AML.BC. No.81/14.01.001/2015-16) notified the Know your customer (KYC) Directions, 2016 (KYC Directions, 2016), inter alia, directing that every Regulated Entity shall have a Know your customer (KYC) Policy duly approved by the Board of Directors. These directions have been issued by the RBI in terms of the provisions of Prevention of Money-Laundering Act, 2002 (PMLA) and the Prevention of Money-Laundering (Maintenance of Records) Rules 2005.

This policy is applicable to all categories of products and services offered by the Company.

II. OBJECTIVE

Objective of RBI guidelines is to prevent NBFCs being used, intentionally or unintentionally by criminal elements for money laundering activities. The guidelines also mandates making reasonable efforts to determine the true identity and beneficial ownership of accounts, source of funds, the nature of customer's business, reasonableness of operations in the account in relation to the customer's business, etc. which in turn helps the Company to manage its risks prudently. Accordingly, the main objective of this policy is to enable the Company to have positive identification of its customers.

III. KEY DEFINITIONS

1. Regulated Entities" (REs) means
 - a. all Scheduled Commercial Banks (SCBs)/ Regional Rural Banks (RRBs)/ Local Area Banks (LABs)/ All Primary (Urban) Co-operative Banks (UCBs) /State and Central Co-operative Banks (StCBs / CCBs) and any other entity which has been licensed under Section 22 of Banking Regulation Act, 1949, which as a group shall be referred as 'banks'
 - b. All India Financial Institutions (AIFIs)
 - c. All Non-Banking Finance Companies (NBFC)s, Miscellaneous Non-Banking Companies (MNBCs) and Residuary Non-Banking Companies (RNBCs).
 - d. All Payment System Providers (PSPs)/ System Participants (SPs) and Prepaid Payment Instrument Issuers (PPI Issuers)
 - e. All authorized persons (APs) including those who are agents of Money Transfer Service Scheme (MTSS), regulated by the Regulator.

2. Officially valid document” (OVD) means the passport, the driving licence, 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, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number.
3. Customer” means a person who is engaged in a financial transaction or activity with a Regulated Entity (RE) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
4. 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’.
5. Customer identification” means undertaking the process of CDD.
6. Other terms not specifically defined here shall have the same meaning as assigned to them under the KYC Directions, 2016 or the PMLA.

IV. KYC POLICY

The Four Key Elements of KYC Policy are as follows:-

- (a) Customer Acceptance Policy;
- (b) Risk Management;
- (c) Customer Identification Procedures (CIP); and
- (d) Monitoring of Transactions with a view to: -

a) Customer Acceptance Policy

The objective of Customer Acceptance Policy is to put in place an effective system and procedure for customer identification and verifying its / his / her identity and residential address and conduct customer due diligence (**CDD**) based on the risk factor associated with each customer. TUFIDCO'S Customer Acceptance Policy (CAP) lays down the criteria for acceptance of customers.

The guideline in respect of the customer relationship in TUFIDCO broadly includes the following:

- No account is to be opened in anonymous or fictitious / benami name(s) / entity(ies)
- No account is opened where the TUFIDCO is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- No transaction or account based relationship is undertaken without following the CDD procedure.

- The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation is specified.
- Optional'/additional information is obtained with the explicit consent of the customer after the account is opened.
- CDD Procedure is followed for all the joint account holders, while opening a joint account.
- Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.

b) RISK MANAGEMENT

- Risk categorization of customers shall be undertaken on the basis of various factors, such as nature of employment, business activity of the customer, location of customer and his/its clients, mode of payments, volume of turnover, social / financial status and credit history. TUFIDCO may at its discretion identify additional factors that it may wish to utilize for customer acceptance based on risk profile determined by TUFIDCO.
- The company may categorize its customers into 'High Risk / Medium Risk / Low Risk' according to risk perceived based on its experience and review it from time to time. The company may devise procedures for creating risk profiles of its existing and new customers and apply various Anti- Money Laundering measures keeping in view the risks involved in a financial transaction or a business relationship.

- The company's internal audit and compliance functions shall play an important role in evaluating and ensuring adherence to KYC policies and procedure, including legal and regulatory requirement.

c) CUSTOMER IDENTIFICATION PROCEDURE

- A. TUFIDCO shall ensure that customer identification process is undertaken, whenever an account based relationship is being established.
- B. While undertaking customer identification, TUFIDCO shall ensure that the decision-making functions of determining compliance with KYC shall not be outsourced.
- C. TUFIDCO shall be adequately satisfied with the information furnished by each new customer with respect to identity of the customer and the purpose of the intended nature of relationship with TUFIDCO. The satisfaction of TUFIDCO with respect to the information/ documents furnished by the customers should be such that if circumstances necessitate, TUFIDCO shall ensure that it is in a position to satisfy the competent authorities that CDD was duly observed by TUFIDCO, based on the risk profile/categorization of the customer.
- D. As stated in the Customer Acceptance Policy, TUFIDCO shall ensure that its customer is not a fictitious person by verifying the identity of the customer through documentation and shall also carry out necessary checks, so as to confirm that the identity of the customer on the basis of the documents obtained does not match with any person with known criminal background

or with banned entities, such as individual terrorists or terrorist organizations.

- E. One or more of the following valid self-attested documents may be called for from the customers as OVD, containing details of proof of their identity and address:

Type of Customer	Officially Valid Documents
In Case of Individuals	
Proof of Identity	<ol style="list-style-type: none">1. Passport2. Driving Licence3. Income Tax PAN Card4. Voter's Identity Card5. Aadhar Card
Proof of Address	<ol style="list-style-type: none">1. Utility Bill (Latest Telephone / Post-paid mobile / Electricity bill)2. Property or Municipal Tax receipt3. Bank Account or post office savings bank account statement4. Passport5. Driving Licence6. Voter's Identity Card7. Aadhar Card8. A copy of the marriage certificate or Gazette notification, in case of change in name

Type of Customer	Officially Valid Documents
In Case of Non - Individuals	
Proof of Identity & Address	<ol style="list-style-type: none"> 1. Income Tax PAN Card 2. Incorporation Certificate & Memorandum & Articles of Association (Registration Certificate & Deed, in case of Partnership firm/Trust) 3. CST/VAT/Service Tax registration / Shops & Establishment Certificate, as applicable 4. List of Directors/Partners/Trustees along with their OVDs as above. 5. Latest shareholding pattern, along with the list of major shareholders having more than 25% of holding, in case of company. 6. Utility bill

F. The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules.

G. In addition to verification through one or more of the above said documents, the company may also call for suitable introduction by a person known to the company/group companies.

H. Simplified procedure:

- In case a person who desires to open an account is not able to produce KYC documents, TUFIDCO may at its discretion open accounts by following the simplified procedure, as may be directed by RBI from time to time.

- While opening accounts as described above, the customer would be made aware that if at any point of time, the balances in all his/her accounts with the company (taken together) exceeds rupees fifty thousand (Rs.40,000) or total credit in the account exceeds rupees one lakh (Rs.80,000), no further transactions will be permitted until the full KYC procedure is completed.
- If an existing KYC-compliant customer of TUFIDCO desires to open another account with TUFIDCO, there shall be no need for a fresh CDD exercise.

I. Identification of Beneficial Owner

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps 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 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.

(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 to be 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.

d) MONITORING OF TRANSACTIONS

- i. The company shall monitor transactions of a suspicious nature on an ongoing basis for the purpose of reporting it to the appropriate authorities. The extent of monitoring by the Company will depend on the risk sensitivity of the account and special attention will be given to all complex unusually large transactions, which have no apparent economic or lawful purpose.
- ii. The company shall promptly report such high value cash transactions or transactions of a suspicious nature to the appropriate regulatory and investigating authorities, as per the provisions of the PMLA and the Rules.
- iii. TUFIDCO shall exercise caution with respect to the transactions with persons (including legal persons and other financial institutions) from the countries which have been identified by Financial Action Task Force (FATF) as high risk and non-cooperative jurisdictions with respect to compliance with the FATF Recommendations, 2012.
- iv. The company normally does not and would not have large cash transactions and proper records of all cash transactions will be kept in a separate register maintained at its registered office.

V. ON-GOING DUE DILIGENCE

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

VI. ENHANCED DUE DILIGENCE

A. ACCOUNTS OF POLITICALLY EXPOSED PERSONS (PEPS):

- 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.
- Generally, TUFIDCO would not open accounts of PEP. Decision to deal with such persons as a customer shall be taken up at a senior management level and shall be subjected to enhance monitoring.

B. CLIENT ACCOUNTS OPENED BY PROFESSIONAL INTERMEDIARIES

- Owing to the fact that accounts may be
 - i. opened by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds or
 - ii. managed by lawyers/chartered accountants or stock brokers for funds held 'on deposit' or 'in escrow' for a range of clients,

- TUFIDCO shall ensure identification of all beneficial owners in respect of such accounts. Further, TUFIDCO shall also ensure that the CDD conducted by the intermediaries is in line with KYC requirements mandated by RBI.
- TUFIDCO shall ensure that no professional intermediary, who cannot reveal the identity of a customer, should be allowed to open such an account with it.

VII. APPOINTMENT OF PRINCIPAL OFFICER

The officer of the Company responsible for the compliance with Anti Money Laundering regulations, by whatever designation known, shall be considered as the “Principal Officer” for the purposes of this Policy. The Principal Officer shall be located at the registered office of the Company and shall be responsible for monitoring and reporting of all transactions and sharing of information as may be required under the law. The Principal Officer shall maintain close liaison with the enforcement agencies and other institutions who are engaged in the fight against the money laundering and terrorist financing.

VIII. PERIODIC UPDATION

Periodic up-dation 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 subject to the following conditions.

IX. RECORD MANAGEMENT

TUFIDCO shall take steps in the direction of maintenance and preservation of the records pertaining to KYC and transactions for the time duration of 5 years for KYC-related and transaction-related documents as prescribed by RBI.

X. INFORMATION OBTAINED FROM CUSTOMERS

All the information collected from the customers by TUFIDCO shall be kept confidential and all such information shall be treated as per the agreement/terms and conditions signed by the customers. Additionally, the information sought from each customer should be relevant to the risk perceived in respect of that particular customer, should not be intrusive and should be in line with the guidelines issued by the RBI in that behalf.

XI. OTHER REQUIREMENTS

All other requirements under FATCA/CRS/PML/FIU-Ind relating to appointment of designated officer/director, principal officer and reporting requirements relating to filing of Suspicious Transaction Report (STR), Cash Transaction Report (CTR), counterfeit currency report (CCR) and other applicable reports filling under FATCA will be complied with in terms of the direction of the RBI or the other authorities to the extent applicable to TUFIDCO.

XII. AMENDMENT

Any amendments in this policy shall not be carried out unless the same are authorised by the Chairman and Managing Director, TUFIDCO. Any such changes / amendments made in the Policy shall be put before the Board of Directors in their meeting immediately succeeding such changes or amendments, for purpose of information.

XIII. INTERPRETATION

All the matters regarding the interpretation of any of the provisions of this Policy shall be referred to the Principal Officer. The Principal Officer, in consultation with the CFO, and if felt necessary, after consulting the appropriate authorities including the RBI, convey his decision to the concerned person and that shall be considered as final.