

Summary of the ‘Policy on Know Your Customer / Anti-Money Laundering Policy / Combating of Financing of Terrorism’ and Procedures:

IDFC First Bank Limited (the “Bank”) has a Board approved ‘Policy on Know Your Customer / Anti-Money Laundering Policy / Combating of Financing of Terrorism’ (the “KYC/AML/CFT Policy” or the “Policy”) that documents measures taken by the Bank to identify customers, prevent money laundering and combating of financing of terrorism. Bank’s KYC/AML/CFT Policy framework lays down Customer Acceptance and Identification principles for opening of accounts and requirements for monitoring transactions and reporting of suspicious transaction to appropriate authorities.

The Policy includes following four key elements:

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

(a) Customer Acceptance Principles

At the time of accepting the customer, the Bank ensures that the customer’s identity is duly established and verified in the following manner:

- The Bank obtains appropriate documentation from the customer as per regulatory requirements and to meet its Policy requirements so as to know the customer and establish its identity. The Bank would further ascertain the purpose of the intended nature of banking relationship. The Bank has adopted risk-based approach, which facilitates ease in opening account at the same time, comply with the regulatory requirements.
- For the customer who is an individual, identity would be established by obtaining officially valid documents as specified by the regulations.
- For customers that are legal persons or entities; identity would be established by (a) verifying legal status through relevant documents; (b) verification of the legal status and identity of the persons purporting to act on behalf the entity and establishing that such persons are so authorised; (c) understanding ownership and control structure to determine identity of the natural person who ultimately own or control a client or the person on whose behalf a transaction is being conducted and includes a person who exercises ultimate effective control over a juridical person.
- The Bank carries out an additional due diligence wherever it is deemed necessary on the basis of the information provided by the prospective customer.

- The Bank ensures that the Permanent Account Number (PAN) provided by the customer should be verified by verification facility of the issuing authority.
- The Bank has introduced Video based customer identification process (V-CIP) to ease the verification process since it would be treated as a face-to-face interaction.
- The Bank has established procedures to determine whether a client is acting on behalf of a Beneficial Owner (BO), identify the beneficial owner and takes all reasonable steps to verify the identity and address of natural person.
- The Bank would not discriminate in opening of the accounts based on sex, caste, religion, etc. and would ensure that while complying with this Policy, no undue harassment is caused to the genuine customers, especially to those who are financially/socially under privileged including the Persons with Disabilities (PwDs).
- The Bank would not open or keep any anonymous account or account in fictitious / benami name, shell company or account on behalf of other persons whose identity has not been disclosed or cannot be verified.
- The Bank would not open an account or undertake a transaction where the Bank is unable to apply appropriate customer due diligence measures i.e. the Bank is unable to verify the identity and/or obtain documents required due to non-cooperation of the customer or non-reliability of the data/information furnished to the Bank. On the same grounds, if the Bank is not able to apply appropriate customer due diligence measures on an existing account, the Bank would take steps to close the account.
- The Bank ensures compliance with applicable sanctions requirements and has established procedures, including sanctions screening, to assess and mitigate any additional risks arising from customer relationships. The Bank screens customers against applicable sanctions and regulatory lists to ensure that it do not match individuals with known criminal backgrounds or sanctioned/prohibited individuals and entities, including designated terrorists and terrorist organizations appearing on sanctions lists circulated by the RBI.

(b) Customer Identification Principles

The Bank undertakes identification of customers by verification of the documents and through various means prescribed by the regulators before opening the accounts. The identity verification is done before opening the accounts of the customers.

(c) Risk categorisation

The Bank follows a risk-based approach as prescribed in the regulations, which includes the following:

- Customers are categorised as low, medium, and high-risk based on various parameters such as customer's identity, social / financial status, nature of business activity, and information about the clients' business and their location / jurisdiction, Politically Exposed Persons, etc.
- In addition to customers, risk will be assessed for products, services, geography, transactions and delivery channels also.

(d) Monitoring Of Transactions

- The Bank undertakes ongoing monitoring of customer transactions as an essential element of effective KYC/AML/CFT Policy. The Bank monitors transactions of the customer so that the Bank can effectively identify transactions that fall outside the regular pattern of activity or profile of the customer.
- The Bank would pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. Transactions that involve large amounts of cash or that indicate high account turnover, inconsistent with the normal and expected activity of the customer, would particularly attract the attention of the Bank.
- The Bank would also ensure that the extent of transaction monitoring will also depend on the risk sensitivity of the account and that the high-risk accounts are subjected to enhanced monitoring.
- For this purpose, the Bank follows the guidelines and transaction monitoring scenarios developed and recommended by Financial Intelligence Unit – India under PML Rules from time to time. These scenarios are suitably incorporated into the technology solutions deployed by the Bank for monitoring the customer transactions.

e) On-going Due Diligence

- Banks undertakes on-going due diligence of customers to ensure that their transactions are consistent with the knowledge about the customers, customers' business, and risk profile, the source of funds, etc.
- Risk based approach is followed for carrying out periodic updation (i.e. Re-KYC). Re-KYC is 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
- Simplified Due Diligence measures is performed for accounts opened for Self Help Groups, accounts of foreign students, & FPIs clients. Appropriate customer due diligence measures, including those applicable to non-face-to-face onboarding and

Politically Exposed Persons (PEPs), are undertaken as per prevailing regulatory guidelines. Further, in line with its policy, the Bank obtains approval to open an account for a PEP from the senior management.

- The following types of transactions shall necessarily be monitored:
 - (a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
 - (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
 - (c) High account turnover inconsistent with the size of the balance maintained.
 - (d) Deposit of third-party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.
- The extent of monitoring is aligned with the risk category of the customer.

f) Reporting to FIU-IND

The Bank monitors transactions in accordance with the regulatory requirements and performs reporting requirement to FIU-IND.

g) Record Retention

Under PMLA and RBI Master Direction on KYC, banks are required to retain transaction records for at least 5 years from the date of transaction and KYC/Customer identification records for at least 5 years after the end of the business relationship or account closure.

h) Audit/Compliance Testing

The Bank's KYC/AML/CFT Policy framework is subject to periodic internal audits and compliance testing, conducted in accordance with a risk-based approach. Audit observations and the status of corrective actions are reviewed and placed before the Audit Committee of the Board for oversight and governance.