

AVRO COMMERCIAL COMPANY LIMITED

Know Your Customer Policy and Anti-Money Laundering Measures

Preamble:

The Reserve Bank of India has been issuing guidelines on Know Your Customer (KYC) Guidelines - Anti Money Laundering Standards for Non-Banking Finance Companies (NBFCs) thereby setting standards for prevention of money laundering activities and corporate practices while dealing with their customers. The Company shall adopt all the best practices prescribed by RBI from time to time and shall make appropriate modifications if any necessary to this code to conform to the standards so prescribed. The contents of the policy shall always be read in tandem/auto-corrected with the changes/modifications which shall be advised by RBI from time to time.

The company's Board of Directors and the management team are responsible for implementing the KYC norms hereinafter detailed, and also to ensure that its operations reflect its initiatives to prevent money laundering activities.

Objectives of the Policy:

The primary objective is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities or terrorist financing activities. Thus, the KYC policy has been framed by the company for the following purposes:

1. To put in place systems and procedures to help control financial frauds, identify money laundering and suspicious activities and safeguarding the company from being unwittingly used for transfer or deposit of funds derived from criminal activity or for financing of terrorism
2. To put in place systems and procedures for customer identification and verifying his / her identity and residential address
3. To monitor transactions of a suspicious nature.

Definition of Customer

For the purpose of KYC policy a 'Customer' means a person defined as under:

1. A person or entity that maintains an account and/or has a business relationship with the Company;
2. One on whose behalf the account is maintained (i.e. the beneficial owner)
3. Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the law,
4. Any other person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of high value demand draft as a single transaction.

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Customer Acceptance Policy ("CAP")

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

- a.) No account is to be opened in anonymous or fictitious/benami names(s).
- b.) The Company shall classify customers into various risk categories and based on risk perception decide on acceptance criteria for each customer category.
- c.) Accept customers only after verifying their identity, as laid down in Customer Identification Procedures. Necessary checks before opening a new account are to be ensured so 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.
- d.) For the purpose of risk categorisation of customer, company shall obtain the relevant information from the customer at the time of account opening.
- e.) Parameters of risk perception shall be 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; customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs – as explained in Annex II) may, if considered necessary, be categorized even higher.
- f.) Documentation requirements and other information to be collected in respect of different categories of Customers depending on perceived risk and compliances with Prevention of Money Laundering Act, 2002 and guidelines issued by Reserve Bank of India from time to time.
- g.) The company shall not to open an account or close an existing account where the company is unable to apply appropriate customer due diligence measures i.e. the company is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non-cooperation of the customer or non-reliability of the data/information furnished to the company. It shall be necessary to have suitable built in safeguards to avoid harassment of the customer. For example, decision to close an account shall be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision
- h.) While carrying out due diligence the company will ensure that the procedure adopted shall not result in denial of services to the genuine customers.
- i.) 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.50,000) or total credit in the account exceeds rupees one lakh (Rs.1,00,000), no further transactions will be permitted until the full KYC procedures is completed.
- j.) Politically exposed persons are individuals, who are or have been entrusted with prominent public functions in a foreign country e.g. heads of states or of governments, senior politicians, senior government / judicial / military officers, senior executives of state owned corporations, important political party officials etc.

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Decision to deal with such persons as a customer shall be taken up at a senior management level and shall be subjected to enhanced monitoring.

- k.) Circumstances, in which a customer is permitted to act on behalf of another person/entity shall be clearly spelt out in conformity with the established law and practice and shall be strictly followed so as to avoid 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
- l.) 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.
- m.) The company shall prepare a profile for each new customer based on risk categorisation. 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. The nature and extent of due diligence shall depend on the risk perceived by the company. However, while preparing customer profile the company shall take care to seek only such information from the customer which is relevant to the risk category and is not intrusive. The customer profile shall be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.
- n.) For the purpose of risk categorisation, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorised as low risk. Illustrative examples of low risk customers would be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government departments & Government owned companies, regulators and statutory bodies etc. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met. Customers that are likely to pose a higher than average risk to the bank may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc. Banks may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.
- o.) Examples of customers requiring higher due diligence may include
 - non-resident customers,,
 - high net worth individuals,
 - trusts, charities, NGOs and organizations receiving donations,
 - companies having close family shareholding or beneficial ownership,
 - firms with 'sleeping partners',
 - politically exposed persons (PEPs) of foreign origin
 - non-face to face customers, and
 - those with dubious reputation as per public information available, etc.
- p.) As advised by RBI under Circular No. DNBS(PD)CC.No.193/03.10.42/2010-11, the company shall not allow opening and/or holding of an account on behalf of a

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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. Further, any professional intermediary who is under any obligation that inhibits the company's ability to know and verify the true identity of the client on whose behalf the account is held or beneficial ownership of the account or understand true nature and purpose of transaction/s, should not be allowed to open an account on behalf of a client.

Customer Identification Procedures ("CIP")

- a) Customer identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. The Company shall obtain sufficient information necessary to verify the identity of each new customer along with brief details of its promoters and management, whether regular or occasional and the purpose of the intended nature of business relationship. The requirement as mentioned herein may be moderated according to the risk perception; for e.g. in the case of a public specially listed company it will not be necessary to identify all the shareholders.
- b) Besides risk perception, the nature of information/documents required would also depend on the type of customer (individual, corporate etc). For customers that are natural persons, the Company shall obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. For customers that are legal persons or entities, the Company shall
 - (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. The company shall take into account Customer identification requirements in respect of a few typical cases, especially; legal persons requiring an extra element of caution are given in Annexure-II as per Circular No.: DNDS (PD) CC NO. 48/10.42/2004-05 dated 21-02-2005 for guidance of NBFCs. The Company shall frame its own internal guidelines based on their experience of dealing with such persons/entities, normal lenders prudence and the legal requirements as per established practices. The Company shall take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.
 - (iv) An indicative list of the nature and type of documents/information that shall be relied upon for customer identification is given in the Annexure-I.
- c) The Company will formulate and implement a Client Identification Programme to determine the true identity of its clients keeping the above in view. The policy shall also cover the identification procedure to be carried out at different stages, i.e. while establishing a relationship; Carrying out a financial transaction or when there is a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

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The documents requirements would be reviewed periodically as and when required for updation keeping in view the emerging business requirements.

The company will initiate steps for allotting Unique Customer Identification Code (UCIC) to all its customers while entering into any new relationships. Existing individual customers will also be allotted UCIC.

The company shall periodically review the risk categorization of loan assets, which shall not be less than once every 6 months. The Company shall also periodically update the customer identification data (including photograph/s) after the loan account is opened. The periodicity of such updation shall not be less than once in five years in case of low risk category customers and not less than once in two years in case of high and medium risk categories.

MONITORING AND REPORTING OF TRANSACTIONS:

Monitoring of transactions will be conducted taking into consideration the risk profile of the account. The company shall make endeavors to understand the normal and reasonable activity of the customer so that the transactions that fall outside the regular/pattern of activity can be identified, Special attention will be paid to all complex, unusually large transactions and all unusual patterns, which have no apparent economic or visible lawful purpose.

Background of the customer, country of origin, sources of funds, the type of transactions involved and other risk factors which shall determine the extent of monitoring. Higher risk accounts shall be subjected to intensify monitoring. The Company shall carry out the periodic review of risk categorization of transactions/customers and the need for applying enhanced due diligence measures at a periodicity of not less than once in six months. The company will introduce a system of periodical updating of customer identification data after the account is opened.

The Company will 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. Transactions of suspicious nature and/or other type of transactions notified under Section 12 of PML Act 2002 shall be reported to the appropriate law enforcement authority by the Principal Officer.

To ensure monitoring and reporting of all transactions and sharing of information as required under the law for KYC, the Board may nominate any Director or authorized CMD or any other officer(s) duly authorized by CMD to be designated as Principal Officer with respect to KYC/ AML/ CFT.

In terms of Prevention Of Money Laundering Act 2002, the company will 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,
New Delhi-110021**

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The company will scrupulously adhere to the following:

- a.) The cash transaction report (CTR) for each month will be submitted to FIU-IND by 15th of the succeeding month. While filing CTR, individual transactions below rupees fifty thousand may not be included.
- b.) The Suspicious Transaction Report (STR) will 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 shall record his reasons for treating any transaction or a series of transactions as suspicious. Such report shall be made available to the competent authorities on request.
- c.) The Principal Officer will be responsible for timely submission of CTR and STR to FIU-IND.
- d.) Utmost confidentiality shall be maintained in filing of CTR and STR with FIU-IND.
- e.) It will be ensured that the reports for all the branches are filed in one mode i.e. electronic or manual;
- f.) A summary of cash transaction report for the NBFC as a whole may be compiled by the Principal Officer of the Company in physical form as per the format specified. The summary shall be signed by the Principal Officer and submitted both for manual and electronic reporting.

Section 3 of the Prevention of Money Laundering (PML) 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 and projecting it as untainted property shall be guilty of offence of money laundering".

The Company shall adopt the guidelines issued by RBI for Prevention of Money Laundering vide Circular No. DNBS (PD) CC No. 48/10.42/2004-05 dated 21-02-2005.

PRINCIPAL OFFICERS FOR KYC/ AML/ CFT:

Principal Officer(s) for KYC will act independently and report directly to the concerned Director/CMD or to the Board of Directors. The role and responsibilities of the Principal Officer(s) should 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 there under, as amended from time to time. Suspicious transactions shall be reported immediately to the principal officer of the company:

Vijay Choudhary

Position: Principal Officer

Phone: 033-2283 1865

Email: vijay@avro.co.in

RISK MANAGEMENT:

The Board of Directors of the Company shall ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. Responsibility shall be explicitly allocated within the Company for

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ensuring that the Company's policies and procedures are implemented effectively. Procedures for creating Risk Profiles of existing and new customers shall be devised and various Anti Money Laundering measures will be applied keeping in view the risks involved in a transaction, account or business relationship.

The compliance function of the company shall provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Concurrent/ Internal Auditors shall specifically check and verify the application of KYC procedures and comment on the lapses observed in this regard. The compliance in this regard may be put up before the Audit Committee of the Board on quarterly intervals.

Company will have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements shall 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

CUSTOMER EDUCATION

Specific literature shall be prepared to educate the customer about the objectives of the KYC programme. The staff of the company is adequately trained to handle unusual situations while dealing with customers.

INTRODUCTION OF NEW TECHNOLOGIES

Company shall 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. It will be ensured that any remittance of funds by way of demand draft, mail/telegraphic transfer or any other mode for any amount is affected by cheques and not against cash payment.

KYC FOR THE EXISTING ACCOUNTS:

The KYC guidelines will apply to all new customers as well as to the existing customers on the basis of materiality and risk. However, transactions with existing customers would be continuously monitored for any unusual pattern in the operation of the accounts.

Where the company will be unable to apply appropriate KYC measures due to non-furnishing of information and/or non-operation by the customer, the Company shall terminate Financing/Business Relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decision shall be taken with the approval of Chairman & Managing Director or Principal Officer.

MAINTENANCE AND PRESERVATION OF RECORDS

The Company shall have a system of maintaining proper record of transactions prescribed under Rule 3, as mentioned below

- a.) All cash transactions of the value of more than rupees 10 lakh or its equivalent in foreign currency.
- b.) All series of cash transactions integrally connected to each other which have been valued below rupees 10 lakh or its equivalent in foreign currency where such series of

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transactions taken place within a month and the aggregate value of such transactions exceeds Rupees 10 lakh.

- c.) 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.
- d.) 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.

The company will maintain the following information in respect of transactions mentioned in Rule 3:

- a.) The nature of the transactions
- b.) The amount of the transaction and the currency in which it was denominated
- c.) The date on which the transaction was conducted and
- d.) The parties to transaction

Maintenance and preservation of records, Section 12 of PMLA requires the Company to maintain records as under:

- i.) records of all transactions referred to in clause (a) of Subsection (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years from the date of transactions between the clients and the Company.
- ii.) records of identity of all clients of the Company are required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the Company.

The Company will 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.

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Annexure – I

Customer Identification Procedure Features to be verified and documents that shall be obtained from customers

Features	Documents
Individuals (Applicant / Co-Applicant) Legal name and any other names used Correct permanent address	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Identity card (subject to the bank's satisfaction) (vi) Aadhar Card (vii) Bankers' verification/passbook with stamp on photograph along with applicant's signature. This can be accepted provided it contains customer's photo and signature, a/c number, date of opening, branch name, address and it shall be certified only by the Branch Manager or Operations Head with their name & designation. (viii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of Company (i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Driving licence (vii) Voter ID Card (viii) Passport (ix) Copy of Sale Agreement if current residence is owned (i) Leave & License agreement if the applicant is staying on rent & the agreement is registered / notarized. (ii) Municipality Water Bill (iii) Municipal tax receipt/ Property tax receipt (iv) Letter from employer (subject to satisfaction of the Company) (any one document which provides customer information to the satisfaction of the Company will suffice)
Companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers,

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	<p>officers or employees to transact business on its behalf</p> <ul style="list-style-type: none"> (iv) Form 18 and ROC receipt filed for recording change of registered address. (v) Form 32 and ROC receipt filed for recording change of Directors. (vi) Copy of PAN allotment letter (vii) Copy of the telephone bill (viii) Latest Bank Account Statement in the name of the Entity with full address (ix) Leave & License agreement if the applicant is staying on rent & the agreement is registered / notarized. (x) Municipality Water Bill (xi) Municipal tax receipt/ Property tax receipt
<p>Partnership firms (Co-Applicant)</p> <ul style="list-style-type: none"> - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners 	<ul style="list-style-type: none"> (i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (v) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (vi) Telephone bill in the name of firm/partners
<p>Trusts & Foundations (Co-Applicant) - (if Applicable)</p> <ul style="list-style-type: none"> - Names of trustees, settlers, beneficiaries and signatories 	<ul style="list-style-type: none"> (i) Certificate of registration, if registered (ii) Trust Deed (iii) Power of Attorney granted to transact business on its behalf (iv) Any valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, Founders/managers/directors and their address. (v) Resolution of the managing body of the foundation/association (vi) Telephone Bill

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Annexure - II

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. Company shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, company 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. While opening an account for a trust, company shall take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries shall be identified when they are defined. In the case of a 'foundation', steps shall be taken to verify the founder managers/directors and the beneficiaries, if defined.

Accounts of companies and firms

Company need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with company. Company shall 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. These requirements may be moderated according to the risk perception e.g. in the case of a public company it shall not be necessary to identify all the shareholders.

Client accounts opened by professional intermediaries

When the company 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. Company may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Company 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 Company and there are 'sub-accounts', each of them attributable to a beneficial owner, all the beneficial owners must be identified. Where such funds are co-mingled at the company, the company shall still look through to the beneficial owners. Where the company rely on the 'customer due diligence' (CDD) done by an intermediary, they shall satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It shall be understood that the ultimate responsibility for knowing the customer lies with the company.

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, e.g., Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. Company shall 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.

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Company shall verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP shall be taken at a senior level which shall be clearly spelt out in Customer Acceptance policy. Company shall also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

Accounts of non-face-to-face customers

With the introduction of telephone and electronic banking, increasingly accounts are being opened by company for customers without the need for the customer to visit the Company branch. 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. In such cases, Company may also require the first payment to be effected through the customer's account with another Company which, in turn, adheres to similar KYC standards. In the case of cross border customers, there is the additional difficulty of matching the customer with the documentation and the Company may have to rely on third party certification/introduction. In such cases, it must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

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Annex -III

An Indicative List of Suspicious Activities

Transactions Involving Large Amounts of Cash

Company transactions, that are denominated by unusually large amounts of cash, rather than normally associated with the normal commercial operations of the company, e.g. cheque,

Transactions that do not make Economic Sense

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

Activities not consistent with the Customer's Business

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

Attempts to avoid Reporting/Record-keeping Requirements

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

Unusual Activities

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

Customer who provides Insufficient or Suspicious Information

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

Certain NBFC Employees arousing Suspicion

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