



CRSP CAPITAL PVT LTD

KNOW YOUR CUSTOMER AND ANTI MONEY LAUNDERING POLICY (KYC & AML POLICY)

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KYC & AML POLICY

1. Preamble

- a. CRSP Capital Private Limited ("CRSP") is a non banking finance company ("NBFC") categorized as non-deposit taking and non-systemically important NBFC engaged in the business of providing loans and certain other financial services.
- b. This Know your customer and Anti- Money Laundering Policy (this "Policy") of CRSP has been formulated and approved by the board of directors of CRSP ("Board") pursuant to the Reserve Bank of India ("RBI") Master Circular on "Know Your Customers" (KYC) Guidelines –Anti Money Laundering Standards (AML)-Prevention of Money Laundering Act, enacted by the Parliament in 2002, makes it obligatory for all the financial intermediaries like banks, financial institutions, Non Banking Financial Companies (NBFCs), etc. to follow 'Know Your Customer' norms which basically define the customer identification process. As per the KYC principles, intermediaries have to collect documents known as KYC documents before entering into any transaction with the customers. The KYC process includes making reasonable efforts to determine true identity and beneficial ownership of accounts, source of funds, nature of customer's business, reasonableness of operations in the account visa-versa customer's business/income profile etc.

The KYC requirement is applicable to all categories of customers transacting with any financial intermediary.

2. Scope and Application of Policy

2.1 As mandated by the RBI Circular, CRSP Capital shall make reasonable efforts to determine the identity and beneficial ownership of accounts, source of funds, the nature of its customer's business, reasonableness of operations in the account in relation to its customer's business, etc. which in turn helps CRSP to manage its risks prudently. Objective of KYC process is to prevent financial intermediaries being used, intentionally or unintentionally by criminal elements for money laundering to fund various illegal activities including global terrorism. The KYC process has become the utmost need of the hour for all financial intermediaries in wake of fast spreading money-laundering menace across the globe.

In consonance with the applicable requirement of RBI vide Master Direction - Know Your Customer (KYC) Direction, 2016 dated February 25, 2016 (Master Direction DBR.AML.BC.No.81/14.01.001/2015-16), as updated from time to time, CRSP Capital Pvt Ltd (CRSP) has framed its KYC policy incorporating the following four key elements:

- Customer Acceptance Policy;
- Customer Identification Procedures;
- Monitoring of Transaction.
- Risk Management

3. Definitions

In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

- a) Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:
1. **"Aadhaar number"** means an identification number as defined under sub section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act' as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force;
 2. **"Act" and "Rules"** means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto including any statutory modification(s) or re-enactment(s) thereof, for the time being in force;
 3. **"Authentication"** is a process by which the Aadhaar number along with demographic information (such as name, date of birth, gender etc) or biometric information (Fingerprint or Iris) of an individual is submitted to UIDAI's Central Identities Data Repository (CIDR) for its verification and UIDAI verifies the correctness of the details submitted, or the lack thereof, on the basis of information available with it

4. **"Beneficial Owner (BO)":**

(a) Where the customer is a company	The BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means. For the purpose of this sub-clause:- "Controlling ownership interest" means ownership of/entitlement to more than 25% of the shares or capital or profits of the company. "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 customer is a partnership firm	The BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership off entitlement to more than 15% of capital or profits of the partnership.
c) Where the customer is an Unincorporated Association or Body of Individuals (Term 'Body of Individuals' includes Societies)	The BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership off entitlement to more than 15% of the property or capital or profits of the Unincorporated Association or Body of Individuals.
Where no natural person is identified under (a), (b) or (c) above, the BO is the relevant natural person who holds the position of Senior Managing Official.	

d) Where the customer is a trust	The identification of BO shall include identification of the author of the trust, the trustee, 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.
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“Certified Copy” - Obtaining a certified copy by the CRSP shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorized officer of the company as per the provisions contained in the Act. Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 [FEMA 5(R)], alternatively, the original certified copy, certified by any one of the following, may be obtained:

- Authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad
- Court Magistrate
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides

5. **“Customer”**: For the purpose of KYC policy, a “Customer” will be defined as:

- i. A person or entity that maintains an account and/or has a business relationship with the CRSP Capital Pvt Ltd
- ii. One on whose behalf the account is maintained (i.e. the beneficial owner);
- iii. Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Chartered Accountants, Company Secretaries, Solicitors etc. as permitted under the law, and
- iv. Any 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 a high value demand draft as a single transaction.

6. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner.

7. **“Customer identification”** means undertaking the process of CDD

8. **Designated Director** with the obligations imposed under chapter IV of the PML Act and the

Rules and shall include person designated by CRSP Capital Pvt Ltd to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include: the Managing Director or a whole-time Director, duly authorized by the Board of Directors.

Explanation - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013 (as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).

9. **"Digital KYC"** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of CRSP Capital Pvt Ltd as per the provisions contained in the Act.
10. **"Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000(as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).
11. **"Equivalent e-document"** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016 (as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).
12. **"Non-face-to-face customers"** mean customers who open accounts without visiting the branch/offices of CRSP Capital Pvt Ltd or meeting the officials of CRSP Capital.
13. **"Officially Valid Document" (OVD)** means the passport, the Permanent Account Number (PAN), the driving license, proof of possession of Aadhaar number, 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 and letter issued by the National Population Register containing details of name and address. Provided that,
 - a) Where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India (UIDAI).
 - b) Where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents there of shall be deemed to be OVDs for the limited purpose of proof of address:-
 - utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);

- property or Municipal tax receipt
 - pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;
- c) the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above;
- d) where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

14. **"Offline verification"** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
15. **"On-going Due Diligence"** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds.
16. **"Person"** has the same meaning as defined in the Act and includes:
- a. an individual,
 - b. a Hindu undivided family,
 - c. a company,
 - d. a firm,
 - e. an association of persons or a body of individuals, whether incorporated or not,
 - f. every artificial juridical person, not falling within anyone of the above persons (a to e),
 - g. and any agency, office or branch owned or controlled by any of the above persons (a to f)
17. **"Periodic Updation"** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
18. **"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.

19. **"Principal Officer"** means "Principal Officer" nominated by CRSP Capital Private Limited, responsible for furnishing information as per rule 8 of the Rules
20. **"Designated Director"** shall mean, a person other than the Principal Officer, nominated by the Board to ensure overall compliance with the obligations imposed under the PML Act.
21. **"FIU-IND"** means the Financial Intelligence Unit of India having powers conferred upon it under the PML Act.
22. **"PML Act"** means the Prevention of Money Laundering Act and the rules issued thereunder including the Prevention of Money Laundering Act and Prevention of Money Laundering (Maintenance of Records) Rules, and the guidelines issued thereunder from time to time and shall include any amendments/modifications thereto.
23. **"Suspicious Transaction"** means defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:
- gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
 - appears to be made in circumstances of unusual or unjustified complexity; or
 - appears to not have economic rationale or bona-fide purpose; or
 - 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 acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.
24. **"Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- opening of an account;
 - deposit, 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;
 - the use of a safety deposit box or any other form of safe deposit;
 - entering into any fiduciary relationship;

- e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
- f. Establishing or creating a legal person or legal arrangement.

25. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

26. **“Non-face-to-face customers”** mean customers who open accounts without visiting the branch/offices of the REs or meeting the officials of REs.

27. **“Wire transfer”** means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank. All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made there under, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

4. 'Know Your Customer'(KYC) Standards:

- KYC procedures also enable NBFCs to know/understand their Customers and their financial dealings better which in turn helps them manage their risks prudently
- CRSP has framed its KYC policy incorporating the following five key elements:
 - 1) Customer Acceptance Policy;
 - 2) Customer Identification Procedures;
 - 3) Customer Due Diligence Procedure
 - 4) Monitoring of Transactions; and
 - 5) Risk Management.

5. Customer Acceptance Policy

5.1 CRSP's Customer Acceptance Policy, which lays down explicit criteria for acceptance of Customers, ensures assessment of the following aspects of the Customer relationship:

- i. That no account is opened in anonymous or fictitious/benami name(s);
- ii. That customers are all assessed for location of residence, business if any, including type of clients and also the mode of transactions and payments (in CRSP's case, payments are required to be made through electronic clearing service (ECS) unless in cases of emergency).
- iii. Customer's identity, volume of turnover, social and financial status, nature of business activity, etc. to enable categorization of Customers into low, medium and high risk. While considering a Customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.
- iv. That documentation requirements and other information collected in respect of different categories of Customers depending on perceived risk and keeping in mind the requirement of the PML Act and / or documentation required as per the risk categorization due to non-co-operation of the Customer or non-reliability of the data/information, is furnished. However, CRSP will have suitable built-in safeguards to avoid harassment of the Customer
- v. Circumstances, in which a customer is permitted to act on behalf of another person/entity, will be clearly spelt out in conformity with the established law and practices, 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 a fiduciary capacity.
- vi. That adequate check are done against any notified list of the NBFC or the RBI or any other regulator, before accepting a Customer, 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.

5.2 CRSP will prepare a profile for each new Customer which may contain information relating to the Customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc.

5.3 CRSP shall ensure that no new account is opened or any new account or transaction based relationship is undertaken unless appropriate customer due-diligence has been undertaken in

accordance with the procedure laid out in the RBI Circular, either due to non-cooperation of the Customer or non-reliability of the documents/information furnished by such Customer. The nature and extent of such due diligence will depend on the risk perceived by CRSP considering the volume of turnover, social and financial status, etc. of every Customer.

5.4 However, while preparing the Customer profile, CRSP will seek only such information from the Customer which is relevant and not intrusive. 'Optional/ additional information, shall be obtained from the Customers only with the explicit consent of the Customer, after the account is opened. The Customer profile will be a confidential document and details contained therein will not be divulged for cross selling or any other purposes.

5.5 Given the nature of CRSP's business, i.e., small ticket secured loans to low and middle income, informal and financially excluded families, the Customers are majorly categorized as low risk, given that such Customers are primarily from the lower income section of society. However, the due diligence mechanism shall be up scaled in the event CRSP takes on Customers with medium / high risk which may include:

- I. non-resident customers,
- II. high net worth individuals,
- III. trusts, charities, NGOs and organizations receiving donations,
- IV. companies having close family shareholding or beneficial ownership,
- V. firms with 'sleeping partners',
- VI. politically exposed persons (PEPs) of foreign origin,
- VII. non-face to face customers, and
- VIII. those with dubious reputation as per public information available, etc

6. Customer Identification Procedure (CIP):

6.1 CRSP will follow clear guidelines prescribed under the RBI Circular, on the Customer Identification Procedure to be carried out at different stages, i.e. while establishing a relationship, while carrying out a financial transaction or when CRSP has a doubt about the authenticity/veracity or the adequacy of the previously obtained Customer

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

6.3 CRSP's due diligence mechanism shall be in compliance with the RBI Circular and the PML Act, as modified from time to time. Apart from the risk perception, the nature of information/documents required would also depend on the type of Customer (individual, corporate etc).

- I. For Customers that are natural persons (which constitute the majority of CRSP's client base), CRSP will obtain sufficient identification data to verify the identity of the Customer, like such Customer's address/location, recent photograph, etc.
- II. For customers that are legal persons or entities, CRSP will:
 - a) verify the legal status of the legal person/ entity through proper and relevant documents;
 - b) 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;
 - c) and understand the ownership and control structure of the Customer and determine who are the natural persons who ultimately control the legal person.

III For Customers operating trust/nominee or fiduciary accounts, CRSP shall determine whether the Customer is acting on behalf of another person as trustee/nominee or any other intermediary and 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.

6.4 Where CRSP is unable to apply appropriate KYC measures due to non-furnishing of information and for non-cooperation by the Customer, CRSP may consider closing the account or terminating the business relationship after issuing due notice to the Customer explaining the reasons for taking such a decision

7. Customer Due diligence Procedure

Part- I CDD Procedure in case of individuals

CRSP Capital Pvt Ltd shall apply the following procedure while establishing an account based relationship with an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- a. the Aadhaar number where,
 - i. he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
 - ii. he decides to submit his Aadhaar number voluntarily to a CRSP notified under first proviso to sub-section (1) of section 11A of the PML Act;
or
 - aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
 - ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
- b. the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- c. such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the CRSP Capital

Provided that where the customer has submitted,

- I) Aadhaar number under clause (a) above to a CRSP Capital notified under first proviso to sub section (1) of section 11A of the Act, CRSP shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the CRSP Capital .
proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the CRSP Capital shall carry out offline verification.
- II) an equivalent e-document of any OVD, the CRSP shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues there under and take a live photo as specified under Annex I.
- III) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline

verification cannot be carried out, the CRSP shall carry out verification through digital KYC as specified under Annex I.

Provided that for a period not beyond such date as may be notified by the Government, instead of carrying out digital KYC, the company pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, CRSP shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the CRSP Capital and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. CRSP Capital shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by CRSP and shall be available for supervisory review.

Explanation 1: CRSP Capital Pvt Ltd shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

Explanation 2: Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.

Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made there under.

Accounts opened using OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:

- i. There must be a specific consent from the customer for authentication through OTP.
- ii. The aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (e) below is complete.
- iii. The aggregate of all credits in a financial year, in all the deposit accounts taken together,

shall not exceed rupees two lakh.

- iv. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year unless identification as per Section 16 or as per Section 18 (V-CIP) of Master Direction is carried out. If Aadhaar details are used under Section 18, the process shall be followed in its entirety including fresh Aadhaar OTP authentication.
- vi. if the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- vii. 21A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other Regulating Entity (RE). Further, while uploading KYC information to CKYCR, CRSP shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- viii. CRSP shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

Part- II CDD Measures for Sole Proprietary Firms

For opening an account in the name of a sole proprietary firm, identification information as mentioned under Section 14 in respect of the individual (proprietor) shall be obtained.

In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- a) Registration certificate.
- b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.
- c) Sales and income tax returns.
- d) CST/VAT/GST certificate (provisional/ final).
- e) Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of GFT/Licence/ Certificate of Practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- g) 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.

- h) Utility bills such as electricity, water, and landline telephone bills.

In cases where CRSP is satisfied that it is not possible to furnish two such documents, CRSP may, at their discretion, accept only one of those documents as proof of business/activity.

Provided CRSP undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

Part- III CDD Measures for Legal Entities

- For opening an account of a company, one certified copy of each of the following documents shall be obtained:
 - a. Certificate of incorporation
 - b. Memorandum and Articles of Association;
 - c. PAN of the company;
 - d. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
 - e. One copy of an OVD contains details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- For opening an account of a partnership firm, one certified copy of each of the following documents shall be obtained:
 - a. Registration certificate;
 - b. Partnership deed;
 - c. PAN of the partnership firm;
 - d. One copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- For opening an account of a trust, one certified copy of each of the following documents shall be obtained:
 - a. Registration certificate;
 - b. Trust deed;
 - c. Permanent Account Number or Form No.60 of the trust;
 - d. One copy of an OVD containing details of identity and address, one recent photograph and

PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.

- For opening an account of an unincorporated association or a body of individuals, one certified copy of each of the following documents shall be obtained:
 - a. resolution of the managing body of such association or body of individuals;
 - b. PAN or Form No.60 of the unincorporated association or a body of individuals;
 - c. power of attorney granted to transact on its behalf;
 - d. one copy of an OVD containing details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf identification information as mentioned under

Such information as may be required by CRSP to collectively establish the legal existence of such an association or body of individuals.

Unregistered trusts/partnership firms shall be included under the term 'unincorporated association' and the term 'body of individuals, includes societies.

- For opening accounts of juridical persons not specifically covered in the earlier part, such as Government its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents shall be obtained:
 - a. Document showing name of the person authorised to act on behalf of the entity;
 - b. Aadhaar/PAN/ OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and
 - c. Such documents as may be required by CRSP to establish the legal existence of such an entity/juridical person.

Part-IV CDD Measures for 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 in terms of Rule 9(3) of the Rules 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 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.

Part-V On-going Due Diligence Measures

CRSP 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. Without prejudice to the generality of factors that call for close monitoring 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 shall be aligned with the risk category of the customer.

Explanation: High risk accounts have to be subjected to more intensified monitoring.

A system of periodic review of risk categorization of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

Part VI - Enhanced and Simplified Due Diligence

- Accounts of non-face-to-face customers (other than Aadhaar OTP based on- boarding): CRSP shall ensure that the first payment is to be effected through the customer's KYC-complied account with another RE, for enhanced due diligence of non-face- to-face customers.
- Accounts of Politically Exposed Persons (PEPs):

CRSP shall have the option of establishing a relationship with PEPs provided that:

- i. sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP
- ii. the identity of the person shall have been verified before accepting the PEP;
- iii. The decision to open an account for a PEP is taken at senior level in accordance with the

CRSP's Customer Acceptance Policy;

- iv. All Such Accounts are subjected to enhanced Monitoring on an on-going basis;
- v. in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- vi. The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

These instructions shall also be applicable to accounts where PEP is the beneficial owner.

➤ Customer's accounts opened by Professional Intermediaries:

CRSP shall ensure while opening customer's accounts through professional intermediaries, that:

- i. Customer shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- ii. CRSP shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- iii. CRSP shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to CRSP.
- iv. All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of CRSP, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of CRSP, CRSP shall look for the beneficial owners.
- v. CRSP shall, at their discretion, rely on the CDD done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
- vi. The ultimate responsibility for knowing the customer lies with CRSP.

8. Monitoring of Transactions:

8.1 Ongoing monitoring is an essential element of effective KYC procedures. CRSP can effectively control and reduce its risk only if it has an understanding of the normal and reasonable activity of the Customer so that it can identify transactions that fall outside the regular pattern.

8.2 CRSP shall therefore undertake on-going due diligence of Customers in the manner stipulated under the RBI Circular, to ensure that their transactions are consistent with their knowledge about the Customers, Customers' business and risk profile, and the source of funds.

8.3 However, the extent of monitoring will depend on the risk sensitivity of the account. Since CRSP will not have any deposit accounts, this situation will hardly arise, but CRSP will in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose or transactions that involve large amounts of money inconsistent with the normal and expected activity of the Customer.

8.4 CRSP will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. CRSP will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of the RBI Circular and the PML Act. It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under the PML Act is reported to the appropriate law enforcement authority.

8.5 CRSP shall undertake periodic updation of KYC at least once in every 2 (two) years for high risk customers, once in every 8 (eight) years for medium risk customers and once in every 10 (ten) years for low risk customers as per the procedure laid out in the RBI Circular

9. Reporting of Transactions:

9.1 The PML Act imposes an obligation on the Principal Officer to report all cash transactions and suspicious transactions to the FIU-IND. There shall be no restrictions on operations in the accounts where an STR (Suspicious Transaction Reports) has been made.

9.2 In order to ensure CRSP's compliance with the PML Act and RBI Circular, CRSP shall put in place

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adequate internal reporting mechanisms to ensure that cash transactions and suspicious transactions as enlisted in Clause 9.4 of the Policy is adequately reported as required. All employees of CRSP shall be instructed and shall accordingly ensure that all such transactions are promptly brought to the attention of the Principal Officer and the Designated Director, in writing, who shall then promptly inform the Board of the same.

9.3 It should be ensured that there is no tipping off to the Customer at any level since it is likely that in some cases transactions are abandoned/ aborted by Customers on being asked to give some details or to provide documents.

9.4 CRSP shall report all such attempted transactions in STRs, even if not completed by Customers, irrespective of the amount of the transaction. The types of transactions to be reported and the manner of reporting shall be done as detailed hereunder:

Reporting of Cash Transactions: The following types of transactions shall be reported to the FIU-IND as and when applicable to CRSP:

- a. All cash transactions of INR 10,00,000 (Indian Rupees Ten Lakhs) and above or its equivalent in foreign currency,
- b. All series of cash transactions integrally connected to each other which have been individually valued below INR 10,00,000 (Indian Rupees Ten Lakhs) or its equivalent in foreign currency, where such series of transactions have taken place within a month and the monthly aggregate exceeds 1NR 10,00,000 (Indian Rupees Ten Lakhs) or its equivalent in foreign currency.
- c. The reporting of cash transaction reports (CTRs) shall be done as per the PML Act and the Master Circular and as per the timelines prescribed there under

- Reporting of Suspicious Transaction:

- a) Apart from reporting cash transactions of the above nature, the Principal Officer is also under an obligation to report all transactions of a suspicious nature to the Director, FIU-IND.
- b) STRs should be made if there are grounds to believe that the transaction involves proceeds of crime generally, irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences under the PML Act. The delay in furnishing of information to Director FIU-IND from the prescribed period (even for one day) will be construed as non-compliance.
- c) An indicative list of 'suspicious activities to be reported by the Principal Officer, has been set out in Annexure 'A' to this Policy.
- d) The reporting of Suspicious Transaction Report shall be done as per the PML Act and the Master Circular and as per the timelines prescribed there under

☐ **10. Risk Management and Internal Control Systems:**

"Risk Management" in the present context refers to money laundering, terrorist funding risk, credit, and financial risks associated with a particular customer from the Company's perspective. This risk is based on risk perceptions associated with customer profile and level of risk associated with the product & channels used by the customer.

For Risk Management, the Company shall have a risk based approach.

- a) The Company shall categorize its customers based on the risk perceived by the Company.
- b) The Company shall categorize its customers into low, medium, and high-risk category, based on the assessment, profiling, and money laundering risk.
- c) The parameters such as customer's identity, social/ financial status, nature of the business

activity, and information about the clients' business and their location, etc. shall be considered for the risk assessment.

- d) The ability to confirm identity documents through online or other services offered by issuing authorities shall also be factored in determining the risk category of the customer.
- e) The various other information collected about different categories of customers relating to the perceived risk, is non-intrusive and in accordance with this Policy.

The Company will also use FATF Public Statement, the reports and guidance notes issued by Government, RBI, or other authorities on KYC/AML procedures in risk assessment.

The Company shall use the following parameters to determine the profile and risk category of customers:

- a) Customer Constitution: Individual, Proprietorship, Partnership, Private Ltd., etc.
 - b) Business Segment: Retail, Corporate etc
 - c) Country of residence/ Nationality: Whether India or any overseas location/ Indian or foreign national.
 - d) Economic Profile: Asset size, Business Diversity, Risk bearing capacity, etc.
 - e) Account Vintage/ seasoning: Less than six months old etc.
 - f) Presence in regulatory negative/ PEP/ Defaulters/ Fraudster lists.
 - g) Suspicious Transaction Report (STR) filed for the customer.
-
- h) AML alerts
 - i) Source of funds, occupation, nature of the business, mode of operation and credit rating.

For the purpose of a risk based approach, the Company has categorized its customers into three categories as given below:

I Low Risk

Individuals and Entities whose identities and sources of wealth can easily be identified and transaction in whose accounts by and large confirm to the known profile come under this category.

- i) Salaried employees whose salary structure is well-defined.
- ii) People belonging to lower economic strata of the society whose accounts show small balances and low turnover.
- iii) Government Department and Government owned companies, regulators

- and statutory bodies.
- iv) Self employed

II Medium Risk

- i) Non-Resident Indians

III High Risk

Customers for whom the sources of funds are not clear or are not convincing shall be categorized as High Risk. Higher due diligence shall be applied for this category of customers.

- i) Trusts, charities, NGOs and organizations receiving donations.
- ii) Companies having close family shareholding or beneficial ownership.
- iii) Firms with 'sleeping partners'.
- iv) Politically exposed persons (PEPs) of Indian/Foreign origin.
- v) High net worth individuals.
- vi) Non face to face customers, and
- vii) Those with dubious reputation as per public information available.

The recommendations made by the Financial Action Task Force (FATF) on Anti-money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards shall also be used in risk assessment.

11. Role of Employees:

- 11.1 Hiring of Employees KYC norms AML standards have been prescribed to ensure that CRSP is in compliance with the PML Act and the Master Circular. Therefore, CRSP shall put in place adequate screening mechanism as an integral part of its employee recruitment / hiring process,
- 11.2 The hiring Policy shall include the due diligence procedures from an AML perspective that needs to be carried out before employing any personnel including temporary or outsourced staff The due diligence procedure would also include screening of employee records through third party background verification
- 11.3 The role of employees in implementing any AML framework being critical, employees must carry out the stipulated procedures efficiently. Any inefficient or suspicious behavior of employees shall be dealt with suitably.

11.4 The employees shall maintain strict confidentiality in regard to KYC and other AML procedures. If any activity is outsourced to any agency/individual, it would be ensured that they would adhere to the guidelines outlined in this Policy

12. Customer Education:

12.1 The implementation of KYC procedures requires CRSP to demand certain information from customers, which may be of personal nature, or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information.

12.2 CRSP's front line staff will therefore personally discuss this with customers and if required, CRSP will also prepare specific literature/ pamphlets, etc. so as to educate the customer on the objectives of the KYC program.

13. Introduction of New Technologies:

13.1 CRSP will pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that might favour anonymity, and take measures, if needed, to prevent its use in money laundering schemes.

14. Principal Officer and Designated Director:

14.1 The Chief Operating Officer of CRSP shall be designated as the principal officer for CRSP.
("Principal Officer")

14.2 The Principal Officer will be located at the corporate office of CRSP and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the PML Act and the RBI Circular.

14.3 The Principal Officer shall maintain close liaison with enforcement agencies, other NBFCs and any

other institution which are involved in the fight against money laundering and combating financing of terrorism.

14.4 CRSP shall nominate a Designated Director to ensure CRSP's overall compliance with the obligations imposed under PML Act and shall communicate to the FIU-IND. the name, designation and address of such Designated Director



15. Maintenance of records of transactions:

15.1 Though it will be unlikely in CRSP's case, due to its focus on lower income families, CRSP has a system of maintaining proper record of transactions prescribed under PML Act and the RBI Circular, depending on the nature of transactions, the amount of the transaction and the currency in which it was denominated, the parties to the transaction, etc. as mentioned below:

- 1) All cash transactions of the value of more than INR 10,00,000 (Indian Rupees Ten Lakhs only) or its equivalent in foreign currency;
- 2) All series of cash transactions integrally connected to each other which have been valued below INR 10,00,000 (Indian Rupees Ten Lakhs only) 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 INR 10,00,000 (Indian Rupees Ten Lakhs only);
- 3) 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;
- 4) All suspicious transactions whether or not made in cash.

15.2 CRSP has 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.

15.3 CRSP will maintain for at least 10 (ten) years from the date of cessation of transaction between CRSP and its Customer, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved, if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity

15.4 CRSP will also ensure that records pertaining to the identification of the Customer and their addresses (e.g. copies of documents like passports, identity cards, driving licenses, PAM, utility bills etc.) are obtained while opening the account and during the course of business relationship, are properly preserved for at least 5 (five) years after the business relationship is ended.

15.5 The identification records and transaction data shall be made available to the competent authorities upon request.

16. Reporting to Financial Intelligence Unit-India:

16.1 In terms of the PML Act, CRSP 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, 6 th Floor, Hotel Samrat,
Chanakyapuri, New Delhi-110021.**

16.2 CRSP will ensure that the provisions of the PML Act, the RBI Circular and the Foreign Contribution and Regulation Act. 1976, wherever applicable, are adhered to strictly

Annexure 'A'

Indicative List of Suspicious Activities

1. Transactions Involving Large Amounts of Cash: Company transactions that are denominated by unusually large amounts of cash, rather than cheques/Electronic payments etc.
2. Transactions that do not make Economic Sense: Transactions in which assets are withdrawn immediately after being deposited without adequate justification.
3. Activities not consistent with the Customer's business accounts with large volume of credits whereas the nature of business does not justify such credits.
4. 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 CRSP 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.
5. Unusual Activities: Funds coming from the countries/centres which are known for money laundering.
6. 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.

7. Certain 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.

8. Some examples of suspicious activities/transactions to be monitored by the operating staff

- i. Large Cash Transactions
- ii. Multiple accounts under the same name
- iii. Placing funds in term Deposits and using them as security for more loans
- iv. Sudden surge in activity level
- v. Same funds being moved repeatedly among several accounts

□

Annexure B

Digital KYC Process

- A. CRSP shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of CRSP.
- B. The access of the Application shall be controlled by CRSP and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by CRSP to its authorized officials.
- C. The customer, for the purpose of KYC, shall visit the location of the authorized official of the CRSP or vice-versa. The original OVD shall be in possession of the customer.
- D. CRSP must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of CRSP shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by CRSP) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- E. The Application of CRSP shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour and no other person shall come into the frame while capturing the live photograph of the customer.
- F. Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.
- G. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- H. Thereafter, all the entries in the CAF shall be filled as per the documents and information



furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e-Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-populated by scanning the QR available on Aadhaar/e-Aadhaar.

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- I. Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with CRSP shall not be used for customer signature. CRSP must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.
- J. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with CRSP. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.
- K. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of CRSP, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.
- L. The authorized officer of CRSP shall check and verify that:-
 - (i) Information available in the picture of document is matching with the information entered by authorized officer in CAF.
 - (ii) live photograph of the customer matches with the photo available in the document; and
 - (iii) all of the necessary details in CAF including mandatory field are filled properly.;
- M. On Successful verification, the CAF shall be digitally signed by authorized officer of CRSP who will take a print of CAF, get signatures/thumb-impression of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.