

Policy on Know Your Customer (KYC) and Anti - Money Laundering (AML) Measures

Table of Contents

Sr. No.	Contents
1	Introduction
2	Objective
3	Customer Acceptance Policy (CAP)
4	Customer Identification Procedure (CIP)
5	Monitoring of Transactions
6	Risk Management
7	Maintenance of records of transactions
8	Preservation of records
9	Reporting to Financial Intelligence Unit – India
10	Customer Education
11	Introduction of New Technologies
12	Appointment of Compliance / Principal Officer
13	General
14	Annexure

Introduction:

The National Housing Bank (NHB) has issued Guidelines on Know Your Customer (KYC) and Anti Money Laundering (AML) measures standards wherein the Housing Finance Companies (HFCs) are advised to follow certain customer identification procedure and monitoring of transactions and reporting to the appropriate authority. Pursuant to National Housing Bank (NHB) Guidelines No. NHB(ND)/DRS/POL-No-33/2009-10 dated October 11, 2010 and Prevention of Money Laundering Act, 2002 (PMLA), the Board of Directors of the Company has approved and adopted the "Policy on Know Your Customer (KYC) and Anti - Money Laundering measures". The Company is committed for transparency and fairness in dealing with all stakeholders and in ensuring adherence to all laws and regulations. The Company ensures that the information collected from the customer for any purpose would be kept as confidential and not divulges any details thereof for cross selling or any other purposes. The Company commits that information sought from the customer is relevant to the perceived risk, is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer will be sought separately with her / his consent and after effective rendering of services.

The Company will also communicate its KYC norms to its customers. The Company will ensure that the implementation of the KYC norms is the responsibility of the entire organisation.

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.

NHB has issued Guidelines on 'Know Your Customer' (KYC) and Anti - Money Laundering (AML) Standards for Housing Finance Companies (HFCs) thereby setting standards for prevention of money laundering activities and corporate practices while dealing with their customers. The Company will adopt all the best practices prescribed by NHB from time to time and will make appropriate modifications if any necessary to this Code to conform to the standards so prescribed. This policy is applicable across all branches / business segments of the Company, and its financial subsidiaries and is to be read in conjunction with related operational guidelines issued from time to time. The contents of the policy will always be read in tandem / auto-corrected with the changes / modifications which will be advised by NHB from time to time.

For the purpose of this KYC Policy, a Customer is:

- i) A person or entity that maintains an account and / or has a business relationship with the Company;
- ii) One on whose behalf such relationship is maintained (i.e. the beneficial owner);

- iii) Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law; and
- iv) Any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company, say a wire transfer or issue of a high value demand draft as a single transaction.

Objective:

The objective of KYC Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know / understand their customers and their financial dealings better which in turn help them manage their risks prudently. The Company hereunder framing KYC Policy incorporating the following four key elements:

- i) Customer Acceptance Policy;
- ii) Customer Identification Procedures;
- iii) Monitoring of Transactions; and
- iv) Risk Management.

Customer Acceptance Policy (CAP)

The Customer Acceptance Policy (CAP) is developed laying down explicit criteria for acceptance of customers. The CAP shall ensure that explicit guidelines are in place on the following aspects of customer relationship in the Company:

- Company shall not open any account in anonymous or fictitious / benami name(s) and where proper due diligence cannot be applied;
- Parameters of risk perception shall be clearly defined in terms of the location of customer and his clients and mode of payments, volume of turnover, social and financial status, etc. to enable categorisation of customers into low, medium and high risk; customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs as explained in Annexure I) shall be, if considered necessary, be categorised even higher. The Company shall classify customers into various risk categories and based on risk perception decide on acceptance criteria for each customer category - customer background, country of origin, sources of fund, banking experience and conduct, repayment track record of other lending, CIBIL check, availability of satisfactory financial records. For the purpose of risk categorisation of customer, Company shall obtain the relevant information from the customer at the time of account opening. The Company shall accept customers after verifying their identity as laid down in customer identification procedures. Parameters of risk perception shall be clearly defined in terms of the location of customer and his clients and mode of payments. While

carrying out due diligence the Company will ensure that the procedure adopted will not result in denial of services to the genuine customers;

- The Company should ensure that documents and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 (Central Act No. 15 of 2003) (hereinafter referred to as PMLA), rules framed there under and guidelines issued from time to time;
- 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, however, 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;
- 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 practices, as there could be occasions when an account is operated by a mandate holder or where an account shall be opened by an intermediary in a fiduciary capacity; and
- 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, caution list circulated by NHB, etc.

The Company shall prepare a profile for each new customer based on risk categorisation. The customer profile shall contain information relating to the 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 will 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 and is in conformity with the guidelines issued in this regard. Any other information from the customer shall be sought separately with her / his consent and after opening the account. The customer profile will keep confidential document and details contained therein will not be divulged for cross selling or any other purposes.

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 shall 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 Company shall be categorised 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. The Company shall 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. Examples of customers requiring higher due diligence shall 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.

As regards the accounts of PEPs, in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the Company shall obtain senior management approval in such cases to continue the business relationship with such person, and also undertake enhanced monitoring.

The adoption of Customer Acceptance Policy and its implementation shall not become too restrictive and shall not result in denial of the Company's services to general public, especially to those, who are financially or socially disadvantaged.

Customer Identification Procedure (CIP)

Customer identification means identifying the customer and verifying her / his / its identity by using reliable, independent source documents, data or information while establishing a relationship. As per Rule 9 of the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, The Procedure and Manner of Maintaining and Time for Furnishing information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter referred to as PML Rules), the Company shall:

- (a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship; and
- (b) in all other cases, verify identity while carrying out:
 - i) transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
 - ii) any international money transfer operations.

The Company shall identify the beneficial owner and take all reasonable steps to verify his identity. The Company shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile.

The Company gets sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Rule 9 of the PML Rules provides for the documents/information to be obtained for identifying various types of customers i.e. individuals, companies, partnership firms, trusts, unincorporated association or a body of individuals and juridical persons. The Company taking note of the provisions of the above rule and shall ensure compliance. The Customer identification requirements keeping in view the provisions of the said rule are also given in **Annexure - I**. An indicative list of the nature and type of documents/information that shall be relied upon for customer identification is given in the **Annexure - II**. The internal guidelines based on the experience of dealing with such persons/entities, normal prudence and the legal requirements will also be considered.

Original Seen and Verified (OSV) NORMS:

KYC documents provided by the customer (for applicant/co-applicant /guarantor and other related parties) will be sighted in original and verified by the RHFL Employee/Sourcing Channel Partner who is authorized to do OSV and signed with "Original Seen and Verified" stamp.

Risk based approach is considered necessary to avoid disproportionate cost to the Company and a burdensome regime for the customers. 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 will 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; and
- (iii) understands the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given in the **Annexure - I**.

The Company has framed 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. In case, customer is permitted to act on behalf of another person/entity, the same would be allowed only in conformity with established law and practices and after taking necessary safeguards such as notarizing the Power of Attorney or the mandate, KYC of both the customers and the authority operating the account including the intermediary acting in fiduciary capacity. The Company will take reasonable measures to identify the beneficial owner(s) and verify her/his/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

The document requirements would be reviewed periodically as and when required for updation keeping in view the emerging business requirements. Senior Official(s) in charge of the Policy are empowered to make amendments to the list of such documents required for customer identification in consultation with the sales and distribution channels and compliance.

Customer Identification Procedure shall be carried out at different stages i.e.:

- While establishing a business relationship (or)
- Carrying out a financial transaction (or)
- Where the Company has a doubt about the authenticity/veracity (or)
- Inadequacy of the previously obtained customer identification data if any (or)
- When the Company feels it is necessary to obtain additional information from the existing customers based on the conduct or behavior of the account.

No deviations or exemptions shall normally be permitted in the documents specified for account opening. In case of any extreme cases of exceptions, concurrence of Policy section shall be obtained duly recording the reasons for the same. Suitable operating guidelines for implementation of the KYC/AML guidelines shall be issued by the Company for its different business segments.

The Client Identification Programme is formulated and implemented to determine the true identity of its client keeping the above in view.

Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures. Monitoring of transactions and its extent will be conducted taking into consideration the risk profile and risk sensitivity of the account. The Company can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity attached with the client. The Company pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

The Company shall prescribe threshold limits for a particular category of clients and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer would particularly attract the attention of the Company. Very high account turnover inconsistent with the size of the balance maintained shall indicate that funds are being 'washed' through the account. High-risk accounts shall be subjected to intensified monitoring. The Company shall set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors. The Company does not accept any deposits. Further, there are no operative accounts where in the need for fixing the threshold limits for individual transactions and aggregate is more relevant and necessary. All the Company's loans are installment based loans on all categories of borrowers. Hence the transactions with the Company are purely restricted to the Installment payable over the tenor of the loan. Hence while the threshold limit for transactional basis is restricted to the Installment payable, the threshold for turnover shall be restricted to the aggregate Installment payable year after year. No other transactions what so ever nature other than repayment of loan with interest is carried out by the customer with the Company.

The Company shall put in place a system of annual review of risk categorisation of accounts and the need for applying enhanced due diligence measures.

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".

Risk Management

The Board of Directors of the Company will ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility would be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively. The Company shall, in consultation with the Board, devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti - Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

The Company's internal audit and compliance functions shall have an important role in evaluating and ensuring adherence to the KYC policies and procedures. As a general rule, the compliance function shall provide an independent evaluation of the Company's own policies and procedures including legal and regulatory requirements. The Company ensures that its audit machinery is staffed adequately with individuals who are well-versed in such policies and procedures.

Concurrent / Internal Auditors shall specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board at quarterly intervals. The Company shall ensure that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines.

The Company will have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements will 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: The Company will educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information.

Introduction of New Technologies:

The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes as and when online transactions are started / accepted by the Company.

Applicability to branches and subsidiaries outside India

The above guidelines shall also apply to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same shall be brought to the notice of National Housing Bank and the Reserve Bank of India.

(Presently, the Company does not have any branches outside India. Therefore, the guidelines shall be applicable whenever branches outside India are opened). Further, Company does not have subsidiaries.

Appointment of Compliance / Principal Officer

The Company has designated Company Secretary, as 'Principal Officer.' Principal Officer is located at our Corporate Office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. She will maintain close liaison with enforcement agencies, HFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism. She will also ensure that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines. However, any such action has to be documented and placed before the management committee of the company. Principal Officer will also report any unusual matter / information to the management committee of the company as and when it occurs.

Maintenance of records of transactions

The Company will maintain proper record of transactions as required under section 12 of the PMLA read with Rule 3 of the PML Rules, as mentioned below:

- all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh 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 rupees ten lakh;
- all transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency;
- 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 or a document has taken place facilitating the transactions; and

- all suspicious transactions whether or not made in cash and as mentioned in NHB guidelines/circulars/ PMLA rules.

The Company Will ensure that its branches continue to maintain proper record of all cash transactions of Rs.10 lakh and above. The internal monitoring system shall have an inbuilt procedure for reporting of such transactions and those of suspicious nature to controlling / head office on a fortnightly basis.

Information to be preserved

The Company will maintain the following information in respect of transactions as referred to in the preceding point on "Maintenance of Records of Transactions:

- i) The nature of the transactions;
- ii) The amount of the transaction and the currency in which it was denominated;
- iii) The date on which the transaction was conducted; and
- iv) The parties to the transaction.

Maintenance and Preservation of records

As per Section 12 of PMLA, the Company will maintain records as under:

- (a) records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules shall be maintained for a period of ten years from the date of transactions between the clients and the Company.
- (b) records of the identity of all clients of the Company shall be maintained for a period of ten years from the date of cessation of transactions between the clients and the housing finance company.

The Company will take steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

Reporting to Financial Intelligence Unit – India

The Company will report information of transaction referred to in clause (a) of sub-section (1) of section 12 of PMLA read with Rule 3 of the PML Rules relating to cash and suspicious transactions, etc., to the Director, Financial Intelligence Unit-India (FIU-IND). The Principal officer shall furnish information, where the principal officer of the Company has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued

below the prescribed value to so to defeat the provisions of this section, in respect of such transactions to the Director within the prescribed time.

A copy of information furnished will be retained by the Principal Officer for the purpose of official record.

- (A) The information in respect of the transactions referred to in clause (A), (B) and (BA) of sub rule (1) of rule 3 of the PML Rules (as referred above) shall be submitted to the Director every month by the 15th day of the succeeding month.

- (B) The information in respect of the transactions referred to in clause(C) of sub-rule (1) of rule 3 of the PML Rules (as referred above) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

- (C) The information in respect of the transactions referred to in clause(D) of sub-rule (1) of rule 3 of the PML Rules (as referred above) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.

The Company and its employees will maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions.

The formats for reporting the requisite information in respect of cash transactions and suspicious transactions as provided by NHB\FIU shall be followed as prescribed from time to time. An illustrative (but not exhaustive) list of suspicious transactions in housing / builder / project loans is furnished in **Annexure - III**.

For determining integrally connected cash transactions, the Company shall take into account all individual cash transactions in an account during a calendar month, where either debit or credit summation, computed separately, exceeds rupees ten lakh during the month.

All cash transactions, where forged or counterfeit Indian currency notes have been used as genuine shall be reported by the Principal Officer to FIU-IND immediately. These cash transactions shall also include transactions where forgery of valuable security or documents has taken place and may be reported to FIU-IND in plain text form.

The Company will pay special attention to all complex, unusual large transactions and all unusual patterns of transactions, which have no apparent economic or visible lawful purpose. It is further clarified that the background including all documents/office records/memorandums pertaining to such transactions and purpose thereof shall, as far as possible, be examined and the findings at

branch as well as Principal Officer level shall be properly recorded. These records are required to be preserved for ten years as is required under PMLA, 2002. Such records and related documents shall be made available to help auditors in their work relating to scrutiny of transactions and also to NHB/other relevant authorities.

It is likely that in some cases transactions are abandoned/aborted by customers on being asked to give some details or to provide documents. The Company shall report all such attempted transactions in STRs, even if not completed by customers, irrespective of the amount of the transaction.

The Company shall make STRs if they have reasonable ground to believe that the transaction involve proceeds of crime generally irrespective of the amount of transaction and/or the threshold limit envisaged for predicate offences in part B of Schedule of PMLA, 2002.

In the context of creating KYC/AML awareness among the staff and for generating alerts for suspicious transactions, the Company shall consider the indicative list of suspicious activities contained in **Annexure - III**.

Combating financing of terrorism

- a) In terms of PMLA Rules, suspicious transaction shall include inter alia transactions which give rise to a reasonable ground of suspicion that these may involve financing of the activities relating to terrorism. The Company, therefore, shall develop suitable mechanism through appropriate policy framework for enhanced monitoring of accounts suspected of having terrorist links and swift identification of the transactions and making suitable reports to the Financial Intelligence Unit – India (FIU-IND) on priority.
- b) As and when list of individuals and entities, approved by Security Council Committee established pursuant to various United Nations' Security Council Resolutions (UNSCRs), is circulated by Reserve Bank, the Company shall ensure to update the consolidated list of individuals and entities as circulated by Reserve Bank. Further, the updated list of such individuals/entities shall be accessed from the United Nations website at <http://www.un.org/sc/committees/1267/consolist.shtml>.

The Company shall before opening any new account, ensure that the name/s of the proposed customer does not appear in the list. Further, the Company shall scan all existing accounts to ensure that no account is held by or linked to any of the entities or individuals included in the list. Full details of accounts bearing resemblance with any of the individuals/entities in the list shall be immediately be intimated to NHB and FIU-IND. KYC norms/AML standards/CFT measures have been prescribed to ensure that criminals are not allowed to misuse the financial channels. Adequate screening

mechanism shall be put in place by the Company as an integral part of recruitment/hiring process of personnel.

The Company considers risks arising from the deficiencies in AML/CFT regime of countries of Iran, Angola, Democratic People's Republic of Korea (DPRK), Ecuador, Ethiopia, Pakistan, Turkmenistan and Sao Tome and Principe and list of countries circulated by NHB from time to time.

The required information shall be furnished by the Company directly to the FIU-IND, through the Principal Officer designated by Company under the Prevention of Money Laundering Act, 2002.

General

The Company will ensure that the provisions of PML Rules framed thereunder and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, the HFC will consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

The Company will abide by all guidelines, directives, instructions and advices of National Housing bank as will be in force from time to time. The contents in this document shall be read in conjunction with these guidelines, directives, instructions and advices. The Company will apply better practice so long as such practice does not conflict with or violate National Housing Bank regulations.

**CUSTOMER IDENTIFICATION REQUIREMENTS
INDICATIVE GUIDELINES (BY NHB)**

Trust/Nominee or Fiduciary Accounts

- a) There exists the possibility that trust / nominee or fiduciary accounts can be used to circumvent the customer identification procedures. The Company should 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 should 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 should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers / directors and the beneficiaries, if defined. If the HFC decides to accept such accounts in terms of the Customer Acceptance Policy, the HFC should 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.

Accounts of companies and firms

- b) The Company need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with Company. Company should verify the legal status of the legal person /entity through proper and relevant documents. HFC should verify that any person purporting to act on behalf of the legal / juridical person / entity is so authorized and identify and verify the identity of that person. HFCs should 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 will not be necessary to identify all the shareholders.

Client accounts opened by professional intermediaries

- c) 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. Where the Company rely on the 'customer due diligence' (CDD) done by an intermediary, they should satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It should be understood that the ultimate responsibility for knowing the customer lies with the Company.

Accounts of Politically Exposed Persons (PEPs) resident outside India

- d) 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 should 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. Company should 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 should be taken at a senior level which should be clearly spelt out in Customer Acceptance Policy. Company should 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

- e) 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 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.

f) Beneficial Ownership

As per Rule 9(1)(a) of the Prevention of Money Laundering Rules, 2005 the Company shall identify the beneficial owner and take all reasonable steps to verify the identity of the beneficial owner.

As per Rule 9(3), the beneficial owner shall be determined as under:-

- a) where the client is a **company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means. Explanation: For the purpose of this sub-clause -:
 1. Controlling ownership interest” means ownership of or entitlement to more than 25% of shares or capital or profits of the Company;
 2. “Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements;
- b) where the client is a **partnership firm**, the beneficial owner is the natural person(s) who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than 15% of capital or profits of the partnership;
- c) where the client is an **unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than 15% of the property or capital or profits of such association or body of individuals. Explanation: Term ‘body of individuals’ includes societies;
- d) where no natural person is identified under (a) or (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official;
- e) where the client is a **trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 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; and
- f) where the client or the owner of the controlling interest is a **Company listed on a stock exchange, or is a subsidiary of such a Company**, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

Customer Identification Procedure

Features to be verified and documents that will be obtained from customers

Customers/Clients	Documents (Certified Copy)
<p>Individuals</p> <p>Legal Name and any other names used</p> <p>Correct permanent address for proof of residence of individuals</p>	<ul style="list-style-type: none"> (i) Passport (ii) Pan Card (iii) Voter's Identity Card (iv) Driving License (v) Identity Card (subject to Company's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company (vii) Aadhaar card issued by Unique Identification Authority of India containing details of name, address and Aadhaar number. <p>(discretion of customers)</p> <ul style="list-style-type: none"> (i) Telephone bill (not more than 2 months old) (ii) Account Statement latest 3 months (iii) Letter from any recognized public authority. (iv) Electricity bill (v) Ration Card (vi) Aadhaar card issued by Unique Identification Authority of India containing details of name, address and Aadhaar number <p>(discretion of customers)</p> <ul style="list-style-type: none"> (vii) Letter from Employer (Signed by HR/Proprietor / Owner), subject to satisfaction of the Company. (viii) Piped Gas Connection Bill/Post Paid Mobile Bill (carrying the present address of the customer, provided that the said bills are not older than 3 months);

	<p>(ix) A person not having an address proof in his/her own name may provide an address proof (as accepted by the Company) of any close relative (e.g. Spouse, son, daughter, parents) supported by a document establishing their relationship (e.g. PAN Card, Passport, Birth Certificate. etc.) supported with a declaration that the said customer is residing with the relative whose address proof is being provided to the Company;</p> <p>One recent passport size photograph except in case of transactions referred to in Rule 9 (1) (b) of the PML rules.</p>
<p>Companies</p> <ul style="list-style-type: none"> - Name of the Company - Principal place of business - Mailing address of the Company - Telephone / Fax Number 	<p><u>Certified copies</u> of the following documents: -</p> <ul style="list-style-type: none"> (i) Certificate of Incorporation; (ii) Memorandum of Association and Articles of Association; (iii) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf; (iv) An officially valid document in respect of Managers, Officers or Employee holding an attorney to transact on its behalf; (v) Copy of PAN card; and (vi) Copy of the telephone bill.
<p>Partnership Firm</p> <ul style="list-style-type: none"> - Legal Name - Address - Names of all partners - And their address - Telephone numbers of the firm and partners 	<p><u>Certified copies</u> of the following documents: -</p> <ul style="list-style-type: none"> (i) Registration certificate, if registered; (ii) Copy of PAN Card; (iii) Partnership deed; (iv) 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 address; and (vi) Telephone bill in the name of firms / partners
<p>Trusts & Foundation</p> <ul style="list-style-type: none"> - Name of trustees, settlers, beneficiaries and signatories - Name and address of the founder, the managers / 	<p><u>Certified copies</u> of the following documents:-</p> <ul style="list-style-type: none"> (i) Registration certificate, if registered; (ii) Trust deed; (iii) Power of Attorney granted to transact business on its behalf; (iv) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders / managers / directors and their address;

<p>directors and the beneficiaries</p> <ul style="list-style-type: none"> - Telephone / fax numbers 	<p>(v) Resolution of the managing body of the foundation / association; and (vi) Telephone Bill.</p>
<p>Unincorporated Association or a Body of Individuals</p>	<p>Certified copies of the following documents: -</p> <ul style="list-style-type: none"> (i) Resolution of the managing body of such association or body of individuals; (ii) Power of attorney granted to him to transact on its behalf; (iii) Such information as may be required by the reporting entity to collectively establish the legal existence of such an association or body of individuals; (iv) An officially valid document in respect of the person holding an attorney to transact on its behalf.

<p>Accounts of Sole Proprietary Firms/concerns</p> <p>Proof of the name, address and activity of the concern</p>	<p>Certified copy of OVD as applicable to the Individuals (i.e. of proprietor) shall be obtained.</p> <p>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:</p> <ol style="list-style-type: none"> a. Registration certificate (in the case of a registered concern) b. Certificate/licence issued by the municipal authorities under Shop and Establishment Act. c. GST and Income tax returns. d. CST/VAT/ GST certificate, whenever applicable e. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities / GST authorities. f. IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/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. <p>In cases where the Company is satisfied that it is not possible to furnish two such documents, it would have the discretion to accept only one of those documents as proof of business/activity.</p> <p>In such cases the Company, however would have to 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.</p>
---	--

Notes:

- i) In case the client, eligible to obtain a PAN, does not submit the PAN at the time of commencement of an account based relationship with a reporting entity, the client shall submit the same within a period of six months from the date of the commencement of the account based relationship.

Provided that the clients, eligible to obtain the PAN, already having an account based relationship with the Company prior to June 01, 2017, then the client shall submit the and PAN by December 31, 2017 to the Company.

In case the client fails to submit the PAN within the aforesaid six months period or by December 31, 2017 (as the case may be), the said account shall cease to be operational till the time the Aadhaar number and PAN is submitted by the client.

- ii) In case the identity information relating to the PAN submitted by the client does not have current address of the client, the client shall submit an officially valid document to the Company.

‘Officially Valid Document’ is defined to mean the Passport, the Driving License, the Permanent Account Number (PAN) card, the Voter's Identity Card issued by Election Commission of India, Job card issued by NREGA, Aadhaar Card/ letter or any other document as notified by the Central Government.

(A) Illustrative List of Suspicious Transactions pertaining to Housing Loans:

- a. Customer is reluctant to provide information, data, documents;
- b. Submission of false documents, data, purpose of loan, details of accounts;
- c. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful, etc.;
- d. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- e. Approaches a branch/ office of a HFC, which is away from the customers' residential branch/office nearer to the given address;
- f. Unable to explain or satisfy the numerous transfers in the statement of account/ multiple accounts;
- g. Initial contribution made through unrelated third party accounts without proper justification;
- h. Availing a top up loan and/ or equity loan, without proper justification of the end use of the loan amount;
- i. Suggesting dubious means for the sanction of loans;
- j. Where transactions do not make economic sense;
- k. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- l. Encashment of loan amount by opening a fictitious bank account;
- m. Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
- n. Sale consideration stated in the agreement for sale is abnormally higher / lower than what is prevailing in the area of purchase;
- o. Multiple funding of the same property/ dwelling unit;
- p. Request for payment made in favour of a third party who has no relation to the transaction;
- q. Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc., and using the same for a purpose other than what has been stipulated;
- r. Multiple funding / financing involving NGO / Charitable Organisation / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs);
- s. Frequent request for change of address; and
- t. Overpayment of installments with a request to refund the overpaid amount.

(B) Illustrative list of suspicious transactions pertaining to Builder / Project Loans:

- a. Builder approaching the HFC for a small loan compared to the total cost of the project;
- b. Builder is unable to explain the sources of funding for the project; and
- c. Approvals/ sanctions from various authorities are proved to be fake.