



**CLIX HOUSING FINANCE PRIVATE LIMITED**

**POLICY ON**

**KNOW YOUR CUSTOMER [KYC] & ANTI MONEY LAUNDERING [AML] MEASURES**

Approved by: The Board of Directors

Original Issue Date: February 15, 2018

Revision Approved on: April 24, 2019

Effective Date: March 12, 2019

Version: 1 of 2019

Policy Owner: Regulatory & Compliance Leader / AML Principal Officer

Table of Contents	
1. Introduction.....	3
2. Definitions .....	3
3. Applicability.....	9
4. Customer Identification Procedure (CIP) .....	9
5. Customer Due Diligence (CDD) Procedure .....	10
6. Customer Acceptance Policy (CAP) .....	15
7. Risk Profile/Categorization of the Customer .....	16
8. Ongoing Due Diligence .....	17
9. Monitoring of Transactions .....	19
10. Risk Management - .....	21
11. Internal Audit .....	22
12. Employee Training .....	22
13. Customer Education.....	22
14. Introduction of New Technologies .....	22
15. Appointment of Principal Officer .....	22
16. Responsibilities of Designated Director and Principal Officer- .....	23
17. Other Measures.....	23
ANNEXURES .....	26

## 1. Introduction

The National Housing Bank (NHB) has issued guidelines on 'Know Your Customer / Anti-Money Laundering (AML) Measures for Housing Finance Companies. This policy of the Company is based on NHB Directives vide NHB/ND/DRS/ Policy Circular No. 94/2018-19 dated March 11, 2019 and various circulars based upon amendments in the Prevention of Money Laundering Act, 2002(PMLA)and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005(PML Rules).

This Policy requires the Company and each Employee to:

- Protect the Company from being used for money laundering or funding terrorist activities;
- Comply with the letter and the spirit of applicable AML/CTF Laws, and the Company' 's AML Program and procedures;
- Be alert to and escalate suspicious activity; and
- Cooperate with AML-related law enforcement and regulatory agencies to the extent permitted under applicable laws.

The policy has the following four key elements:

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

### 1.1 Effective Date

This Policy is effective as of March 12, 2019.

### 1.2 Annual Review

The Policy shall be reviewed periodically by the Board of Directors of the Company, the AML Leader/ the Principal Officer and, more frequently, if any changes are required by the applicable rules and regulations.

### 1.3 Policy Approval

The Policy and any significant changes therein shall be approved by the Board of Directors of the Company. Prior to approval by the Board of Directors, the Policy and any significant changes shall also be reviewed and approved by the Company's AML Leader/ Principal Officer.

## 2. Definitions

- i.** Aadhaar 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', means an identification number issued to an individual by Unique Identification Authority of India (UIDAI) on receipt of the demographic information and biometric information as per the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.  
Explanation 1: In terms of the Aadhaar Act, every resident shall be eligible to obtain an Aadhaar number.  
Explanation 2: Aadhaar will be the document for identity and address
- ii. 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.
- iii. Adverse Media Searches:** Adverse Media searching is an element of EDD that enables a greater understanding of the clear and present reputational risks posed by a customer.

- iv. **Alert:** Alert is an indicator of an unusual activity based on a predetermined rule.
- v. **AML Program:** Refers to a program that is risk-based and reasonably designed to (a) comply with applicable AML/CTF Laws, this Policy and (b) prevent and detect money laundering and terrorist financing activity.
- vi. **Authentication:** as defined under sub-section (c) of section 2 of the Aadhaar Act, means the process by which the Aadhaar number along with demographic information or biometric information of an individual is submitted to the Central Identities Data Repository (CIDR) for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it
- vii. **Beneficial Owner (BO):** refers to the natural person(s) who ultimately owns or controls a customer and/or the natural person on whose behalf a transaction is being conducted. It also includes those persons who exercise ultimate effective control over a legal person or arrangement. These are:

(a) where the client 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 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 BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to majority more than 15% of capital or profits of the partnership;

(c) where the client is an unincorporated association or body of individuals, the BO is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have 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. Where no natural person is identified under (a) or (b) or (c) above, the BO is the relevant natural person who holds the position of senior managing official;

(d) where the client is a trust, the identification of UBO(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

(e) 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 BO of such companies.

The Company needs to collect BO information up to 25% (or 15% as the case may be) on best endeavors basis for all the entities except clause (f) entities as mentioned above.

If the Company is unable to obtain the required UBO information, then the case will be referred to CCO and CRO for approval.

- viii. **Central KYC Registry (CKYCR):** It means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer. The Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the Central KYC Record Registry vide the Gazette Notification No. S.O. 3183(E) dated November 26, 2015. The 'live run' of the Central KYC Record Registry has started with effect from July 15, 2016 in phased manner beginning with new 'individual accounts'.
- ix. **Controlling & Other Associated Parties:** Controlling parties can be defined as those individuals who exercise influence and control at a senior level over the day to day operations of the organization or have the power to direct funds (e.g. Chairman, CEO). Parties that act in a limited administrative or nominal capacity, non-senior officers or staff are generally not considered to be controlling parties.

The Company would utilize a risk-based approach when identifying and assessing parties who either  
 (a) Exercise control over a customer through means other than equity voting rights or  
 (b) Introduce some risk to the customer relationship through association.

The Company would follow a risk based approach to identify controlling parties (e.g. Chairman, CEO for Low/Medium risk customers; Senior Management and full Board of Directors for High risk customers) and associated parties to the customer (e.g., commercial counterparties, guarantors, debtors, agents, directors, executive officers, signatories, powers of attorney, partners).

- x. **Customer:** It means a 'person', as defined, who is engaged in a financial transaction or activity with a company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

**For the purpose of KYC Guidelines, a "customer" will be defined as:**

- A person or entity that maintains an account and/or has a business relationship with the Company
  - One on whose behalf the account is maintained (i.e. the beneficial owner);
  - Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Company Secretaries, Chartered Accountants, Solicitors etc. as permitted under the law, and
  - 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.
- xi. **Customer Due Diligence ("CDD"):** It means "Client Due Diligence" as defined under rule 9 of the Rules and the amendments thereto.
- xii. **Customer Identification:** It means undertaking the process of CDD.

- xiii. Designated Director:** The Whole-time Director of the Company has been appointed as the Designated Director in compliance of Rule 2(ba) of the PML (Maintenance of Records) Rules shall be responsible to ensure overall compliance with the obligations imposed under Chapter IV of the Act and the Rule/ Regulations thereunder. The Designated Director will ensure implementation and compliance of the policy framed from time to time. A Designated Director shall be nominated by the Board of Directors of the Company.

The name, designation and address of the Designated Director are to be communicated to the Director, FIU-IND and also to the NHB. In addition, it shall be the duty of the Company, its Designated Director, officers and employees to observe the procedure and manner of furnishing and reporting information on transactions referred to in Rule 3 of PML Rules.

In no case, the 'Principal Officer' will be nominated as the 'Designated Director'.

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.

- xiv. Employees:** Both full and part-time employees are required to abide by this Policy, as are contingent workers.
- xv. Enhanced Due Diligence ("EDD"):** The business may determine that a customer poses a higher risk because of the customer's business activity, ownership structure, anticipated or actual volume and types of transactions, including those transactions involving higher-risk jurisdictions. Due diligence policies, procedures, and processes would be enhanced as a result. Higher-risk customers and their transactions would be reviewed more closely at account opening and more frequently throughout the term of their relationship with the business. Refer to section 4(2) for more details.
- xvi. FATCA:** It means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- xvii. Know Your Client (KYC) Identifier:** It means the unique number or code assigned to a client by the Central KYC Records Registry.
- xviii. KYC Template:** It means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- xix. Know Your Client (KYC) records:** It means customers who open accounts without visiting the branch/ offices of the company or meeting the officials of company.
- xx. Non face to face Customer** means a person purporting to act on behalf of the customer.
- xxi. Non-profit organisations (NPO)** means any entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 25 of the Companies Act, 1956.
- xxii. Offence of Money Laundering** Section 3 of the PMLA defines the offence of Money Laundering as 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 including its concealment, possession, acquisition or use and projecting or claiming it as untainted property shall be guilty of offence of money-laundering.

- xxiii. Officially Valid Document (OVD)** means OVD as defined under rule 2(l)(d) of the Rules and the amendments thereto.
- xxiv. 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.
- xxv. Periodic Updation:** It 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 National Housing Bank.
- xxvi. Person** means –
- (i) an individual,
  - (ii) a Hindu undivided family,
  - (iii) a company,
  - (iv) a firm,
  - (v) an association of persons or a body of individuals, whether incorporated or not,
  - (vi) every artificial juridical person, not falling within any of the preceding sub-clauses, and
  - (vii) any agency, office or branch owned or controlled by any of the above person mentioned in the preceding sub-clauses;
- xxvii. Proceeds of Crime** means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property or where such property is taken or held outside the country, then the property equivalent in value held within the country.
- xxviii. Politically Exposed Persons (PEPs):** PEPs are individuals who are or have been entrusted with prominent public functions e.g., Heads of States/ Governments, senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc.
- xxix. Principal Officer:** It means Principal Officer an officer designated by a reporting entity.
- xxx. Prohibitions:**
- The following is a non-exclusive list of products, customers and geographies with or in which Company is prohibited by law or this Policy from having an account or relationship:
- Countries, governments, entities and individuals that are subject to economic sanctions administered and enforced by the Office of Foreign Assets Control of the U.S. Department of the Treasury (“OFAC”) which prohibits such account or relationship;
  - The countries which have been identified by the Financial Action Task Force (FATF) as jurisdictions having strategic deficiencies which may pose a risk to the international financial system.
  - List of Terrorist Individuals / Organizations- under UNSCR 1267 (1999) and 1822(2008) on Taliban /Al-Qaida Organization
  - Individuals or entities listed under section 51A of the Unlawful Activities (Prevention) Act, 1967

- Individuals and entities in watch list issued by Interpol
- Regulatory watch list (RBI, SEBI, IRDA etc.)
- Countries, governments, entities and individuals that are subject to economic sanctions by a country in which the company does business which prohibits such account or relationship;
- An account using a pseudonym or number rather than the actual name of the customer;
- Any person (individual or entity) whose identity cannot be determined, who refuses to provide information required to verify identity or conduct due diligence or who has provided information that contains significant inconsistencies that cannot be resolved after further investigation;
- Anonymous ownership entity accounts, where the ownership of the entity cannot be determined because certificates or shares are issued in bearer form or where a significant Ultimate Beneficial Owner's interest is held in bearer form or because the entity has a form or structure that prevents an accurate identification of the Ultimate Beneficial Owners;
- Shell banks, where the bank is authorized to engage in banking business in a country but does not maintain a physical presence in the country and is not affiliated with a bank with a physical presence in another jurisdiction which is supervised by a banking regulatory authority in that jurisdiction;
- Unlicensed financial institutions, including unlicensed currency exchange houses and money transmitters; and
- Persons (individuals or entities) involved in unlawful internet gaming operations, including payment providers.
- List of countries known as State Sponsors of Terrorism ("SST") as per the US Government
- Any other entities prohibited under the Local laws.

In case the customer has been rated as unacceptable during CDD measures applicable at the time of onboarding, then the customer will not be on-boarded. Customers for whom decision of not boarding is taken, an intimation letter as required under Fair Practices Code would be sent to such customer.

- xxxi. Property** means any property or assets of every description, whether corporeal or incorporeal, movable or immovable, tangible or intangible and includes deeds and instruments evidencing title to, or interest in such property or assets, wherever located.
- xxxii. Transfer** includes sale, purchase, mortgage, pledge, gift, loan or any other form of transfer of right, title, possession or lien.
- xxxiii. Records** include the records maintained in the form of books or stored in computer or such other form as may be prescribed.
- xxxiv. Subsidiary:** It means a direct or indirect subsidiary of the company or an entity in which company owns a majority equity interest or exercises management control.
- xxxv. Suspicious transaction** means a "transaction" as 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.

- xxxvi. Tipping off:** It means disclosure of the information about an alert or suspicious transaction or about the possibility of reporting of a transaction by the company.
- xxxvii. Transaction** means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- a. opening of an account;
  - b. 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;
  - c. the use of a safety deposit box or any other form of safe deposit;
  - d. 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
- xxxviii. Watchlist:** a set of government mandated and other list against which all customers must be screened.

All other expressions unless defined herein will have the same meaning as have been assigned to them under the Prevention of Money Laundering Act and Prevention of Money Laundering (Maintenance of Records) Rules, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

### **3. Applicability**

It may be noted that KYC – AML policy as stated in this document shall prevail over anything else contained in any other document/process/circular/ letter/instruction in this regard except any Regulation or Act released by concerned Government Authority (or any amendment thereto). This policy shall be applicable to all verticals/products of the Company whether existing or rolled out in future.

### **4. Customer Identification Procedure (CIP)**

The Company will undertake identification of customers in the following cases:

- (a) Commencement of an account-based relationship with the customer.
- (b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (c) Selling third party products as agents, selling their own products and any other product for more than rupees fifty thousand.

For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Company, will at their option, rely on CDD done by a third party, subject to the following conditions:

- (a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry as per Act and Rules.
- (b) Adequate steps are taken by Company to satisfy themselves that copies of identification data and

other relevant documentation relating to the customer due diligence requirements will be made available from the third party upon request without delay.

(c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the Prevention of Money-Laundering Act.

(d) The third party will not be based in a country or jurisdiction assessed as high risk.

(e) The ultimate responsibility for CDD, including done by a third party and undertaking enhanced due diligence measures, as applicable, will rest with the Company concerned.

## 5. Customer Due Diligence (CDD) Procedure

### 1. Procedure for obtaining identification

a) While undertaking CDD, Company will obtain the following information from an individual while establishing an account based relationship with an 'individual' or dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

(i) the Aadhaar number where he is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act, or certified copy of an OVD containing details of identity and address, and one recent photograph; and

(ii) the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time.

Explanation 1- Obtaining a certified copy by the Company will mean comparing the copy of OVD so produced by the client with the original and recording the same on the copy by the authorised officer of the Company.

Explanation 2: The submission of Aadhaar by an individual as a KYC document in cases other than mentioned at (i) above cannot be insisted upon by the Company. However, the individual, if so desires, may provide the same out of his own volition. Customers, at their option, will submit one of the OVDs.

Explanation 3: Where the customer is submitting Aadhaar, the Company will be guided by directions issued by Unique Identification Authority of India from time to time.

b) Official Valid Document (OVD) means -

- Passport
- Driving License
- Voter ID Card issued by Election Commission of India
- Proof of possession of Aadhaar number as issued by UIDAI (Aadhaar letter)
- Job card issued by NREGA duly signed by an officer of the State Government
- the letter issued by the National Population Register containing details of name, address or any other document as notified by the Central Government in consultation with the Regulator

In case the client, eligible to be enrolled for Aadhaar and obtain a Permanent Account Number, referred above does not submit the Aadhaar number or the Permanent Account Number (as applicable in Income Tax Rules, 1962) 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 in case of officially valid document furnished by the client does not contain current address, the following documents shall be deemed to be officially valid documents for the limited purpose of proof of address:-

- a) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- b) property or Municipal tax receipt;
- c) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- d) 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 licence agreements with such employers allotting official accommodation;

Provided further that the customer will submit updated OVD with current address within a period of three months of submitting the above documents.

Provided that in case the OVD submitted 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 will be accepted as proof of address.

**NOTE:** It is herewith clarified that if the address provided by the customer(s) is the same on the document submitted for identify proof, the subject document may be accepted as a proof of both identity and address. However, if the current address mentioned by the customer is different from the address indicated on the document submitted for proof of identity, a separate proof of address would be obtained as per the list of documents mentioned above.

c) A customer already having an account based relationship with the company, will submit his Permanent Account Number or Form No.60, on such date as may be notified by the Central Government, failing which the account will temporarily cease to be operational till the time the Permanent Account Number or Form No. 60 is submitted by the customer:

Provided that before temporarily ceasing operations for an account, the company will give the customer an accessible notice and a reasonable opportunity to be heard.

Explanation: -For the purpose of this clause, "temporary ceasing of operations" in relation an account means the temporary suspension of all transactions or activities in relation to that account by the company till such time the customer complies with the provisions of this clause;

In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits will be allowed.

d) If a customer having an existing account based relationship with the company gives in writing to the company that he/ she does not want to submit his/her Permanent Account Number or Form No.60, as the case may be, the customer's account with the Company will be closed and all obligations due in relation to the account will be appropriately settled after establishing the identity of the customer.

This will be duly informed to the customer while opening the account.

### **I. COD Procedure in case of individuals**

The Company will apply the following procedure while establishing an account based relationship with an individual:

- (a) Obtain verification information; and
- (b) such other documents pertaining to the nature of business or financial status specified by the Company in their KYC policy.

The policy provides for appropriate relaxation for continued operation of accounts of customers who are unable to provide Permanent Account Number or Form No.60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes.

Provided that information collected from customers for the purpose of opening of account will be treated as confidential and details thereof will not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

### **II. COD Measures for Sole Proprietary Firms**

For opening an account in the name of a sole proprietary firm, identification information as mentioned above in respect of the individual (proprietor) will 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 will 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 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.

The Company may, at its discretion, accept only one of the documents as proof of business/activity.

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

### III. COD Measures for Legal Entities

1. For opening an account of a company, one certified copy of each of the following documents will be obtained:

- (a) Certificate of incorporation;
- (b) Memorandum and Articles of Association;
- (c) Permanent Account Number 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 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.

2. For opening an account of a partnership firm, one certified copy of each of the following documents will be obtained:

- (a) Registration certificate;
- (b) Partnership deed;
- (c) Permanent Account Number 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.

3. For opening an account of a trust, one certified copy of each of the following documents will 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 Permanent Account Numbers/Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf-

4. For opening an account of an unincorporated association or a body of individuals, one certified copy of each of the following documents will be obtained:

- (a) resolution of the managing body of such association or body of individuals;
- (b) Permanent Account Number 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 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 identification information as mentioned under
- (e) Such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.

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

5. For opening accounts of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents will 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 the Company to establish the legal existence of such an entity/juridical person.

#### **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) will be identified and all reasonable steps in terms of Rule 9(3) of the Rules to verify his/her identity will 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 will be obtained.

#### **V. Enhanced Due Diligence Measures**

##### **1. Accounts of Non-face-to-face customers:**

Company will ensure that the first payment is to be effected through the customer's KYC-complied account, for enhanced due diligence of non-face to face customers.

##### **2.Accounts of Politically Exposed Persons (PEPs):**

The Company will have the option of establishing a relationship with PEPs provided that:

- (a) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- (b) the identity of the person will have been verified before accepting the PEP as a customer
- (c) the decision to open an account for a PEP is taken at a senior level in accordance with the Company's Customer Acceptance Policy
- (d) all such accounts are subjected to enhanced monitoring on an on-going basis
- (e) 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;
- (f) The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

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

##### **3. 3. Customer's accounts opened by Professional Intermediaries:**

The Company will ensure while opening customer's accounts through professional intermediaries, that:

- (a) Customer will be identified when client account is opened by a professional intermediary on behalf of a single client.
- (b) Company will have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- (c) Company will not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.
- (d) All the beneficial owners will be identified where funds held by the intermediaries are not co-mingled at the level of company, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of company, the company will look for the beneficial owners.
- (e) Company will, 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.
- (f) The ultimate responsibility for knowing the customer lies with the company.

## **6. Customer Acceptance Policy (CAP)**

The Customer Acceptance Policy will ensure the following aspects of customer relationship:

- (i) No account is opened in anonymous or fictitious/benami name(s);
- (ii) Risk in terms of the location of customer and his clients and mode of payments are duly checked;
- (iii) Volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk
- (iv) Customers requiring very high level of monitoring, e.g. Politically Exposed Persons will be given due consideration as mentioned at point No. 4(3)(d) above.
- (v) Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the PML Act, 2002 and NHB regulations in this regard.
- (vi) Optional/additional information is obtained with the explicit consent of the customer after the account is opened.
- (vii) CDD procedure is followed for all the joint account holders while opening a joint account.
- (viii) 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 identify and /or obtain documents required as per the risk categorization due to non-co-operation of the customer or non-reliability of the data/information furnished to the Company.
- (ix) Permanent Address proof from new applicants will be collected. There would be no need of fresh CDD exercise in case of existing KYC compliant customer.
- (x) For existing customers who wish to pre-close their loan account with the Company, following will be collected :
  - a) Permanent Address proof
  - b) A declaration from the customer regarding source of funds being used for pre-closure of the loan account
  - c) Closure of the loan account authority will be restricted to authorized person at the branch
- (xi) In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
  - a) if applicant is NRI/PIO
  - b) if applicant is a limited company
  - c) if applicant is a partnership firm

- d) Any other circumstance where it is not possible for the applicant to be present at the branch location physically available.
- (xii) Necessary checks before any loan disbursement will be carried out through FI agency so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities or sanction lists issued by UN Security Council circulated by National Housing Bank and by Reserve Bank of India such as individual terrorists or terrorist organizations, etc.

Further, the adoption of Customer Acceptance Policy and its implementation would not result in denial of services to general public and those, who are financially or socially disadvantaged.

**7. Risk Profile/Categorization of the Customer**

The Company will prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy and as per Risk Management & Credit/Loan Policy and Product and Credit Manual. The customer profile will 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. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant apart from collection of applicable documents; this will be as per our credit and product norms which are incorporated in the Product and Credit Manual and are in practice. However, while preparing customer profile, the Company will seek only such information from the customer which is relevant to the risk category and is not intrusive.

The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes against monetary consideration. The Company will continue to share our client data with CIBIL and empanelled FI agencies and such other organizations/entities subject to confidentiality clause, since the purpose of sharing this information is to ensure risk minimization.

The Company can make discretionary adjustment to a customer risk rating if justified. The decision to adjust a rating must be risk-based and documented. Authority to approve any adjustment to risk rating lies to CO of the Company. The Company will maintain a record of such discretionary adjustments for reporting purposes.

As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories based on the assessment and risk perception of HFC:-

The Risk categorisation will be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same may be specified in the Company's KYC policy.

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

<b>Low risk customers</b> for the purpose of this policy will be	<b>Medium risk customers</b> are likely to pose a <b>moderate</b> than average risk	<b>High risk customers</b> are likely to pose a <b>higher</b> than average risk
--	---	---



<p>individuals and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile.</p>	<p>to the Company and may be categorized as medium risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.</p>	<p>and may be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per our Risk Management &amp; Credit/Loan Policy and guidelines of Product and Credit Manual.</p>
<p>Illustrative examples of low risk customers could be:</p> <ul style="list-style-type: none"> <li>a) Salaried applicants with salary paid by cheque</li> <li>b) People belonging to government departments</li> <li>c) People working with government owned companies, regulators and statutory bodies, etc.</li> <li>d) People belonging to lower economic strata of the society whose accounts show small balances and low turnover</li> <li>e) People working with Public Sector Units</li> <li>f) People working with reputed Public Limited companies &amp; Multinational Companies.</li> </ul>	<ul style="list-style-type: none"> <li>a) Salaried applicants with variable income/unstructured income receiving salary in cheque</li> <li>b) Salaried applicants working with Private limited companies</li> <li>c) Self Employed professionals other than HNIs</li> <li>d) Self Employed customers with sound business and profitable track record for a reasonable period</li> <li>e) High Net worth Individuals with occupational track record of more than 3 years</li> </ul>	<p>Examples of high risk customers requiring higher due diligence may include:</p> <ul style="list-style-type: none"> <li>a) Non-resident customers</li> <li>b) High net worth individuals, without an occupational track record of more than 3 years</li> <li>c) Trusts, charities, NGOs and organizations receiving donations</li> <li>d) Companies having close family shareholding or beneficial ownership</li> <li>e) Firms with 'sleeping partners'</li> <li>f) Politically exposed persons (PEPs) or family members and close relatives of PEPs</li> <li>g) Non-face to face customers</li> <li>h) Those with dubious reputation as per available public information, etc.</li> </ul>

## 8. Ongoing Due Diligence

i) Ongoing monitoring is an essential element of effective KYC procedures. 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.

a) The Company's would pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

b) The extent of monitoring will be aligned with the risk category of the customer. A system of periodic

review of risk categorisation of accounts, with such periodicity as specified in company's KYC Policy will be put in place.

c) For the purpose of risk categorization, 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, may be categorized as low risk. illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments & Government owned companies, regulators and statutory bodies, etc. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met.

d) Customers that are likely to pose a higher than average risk to the company may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. Company may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. Examples of customers requiring higher due diligence may include-

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

e) The Company shall be guided by and follow the guidelines as specified in the '**Guidance Note on Effective Process of STRs Detections And Reporting for Housing Finance Sector**', issued by Financial Intelligence Unit – India (FIU-IND), Ministry of Finance in consultation with National Housing Bank. The Red Flag Indicators (RFI) / Parameters for, STR identification as specified in the subject guidance note being made part of this Policy as **Annexure III** for reporting of STRs.

The Company shall have mechanism for Transaction Monitoring and its review.

## **ii) Periodic Updation**

Periodic KYC updation will be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers as per the following procedure:

a) Company's will carry out-

- i) PAN verification from the verification facility available with the issuing authority and
- ii) Authentication, of Aadhaar Number already available with the company with the explicit consent of the customer in applicable cases.
- iii) In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
- iv) Certified copy of OVD containing identity and address will be obtained at the time of periodic updation

from individuals except those who are categorised as 'low risk'. In case of low risk customers when there is no change in status with respect to their identities and addresses, a certification to that effect will be obtained.

v) In case of legal entities, the Company will review the documents sought at the time of opening of account and obtain fresh certified copies.

b) Company may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/consent forwarded by the customer through mail/ post, etc., will be acceptable.

c) Company will ensure to provide acknowledgment with date of having performed KYC updation.

d) The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.

## 9. Monitoring of Transactions

### a. Recordkeeping Requirements:

I. The Company would

- a) introduce a system of Maintenance of records, at each branch and a consolidated record for all the branches taken together at the registered office of the Company, of transactions (nature and value), in such form and for such period as specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.
- b) maintain records, documents pertaining to all transactions which have been reported as CTR, STR and CCR for a period of five years from the date of transactions between the clients and the Company.
- c) Maintain the physical copy of records of the identity of its clients, after filing the electronic copy of such records with the Central KYC Records Registry.
- d) Maintain the records of the identity and address of all its clients and beneficial owners as well as account files and business correspondence relating to its clients for a period of five years from the date of cessation of transactions between the clients and the Company.
- e) Maintain all necessary records of transactions referred to in Rule 3 of PML Rules, 2005 in hard or soft format.

Further, records shown below shall be maintained for at least five years after the recorded event has occurred:

- CDD, SDD and EDD records;
- AML risk assessment records;
- Records of reports made to government authorities or other required records concerning currency transactions or cross-border movements of currency or other monetary instruments;
- Records that evidence the ongoing monitoring of customers and transactions for potential suspicious activity;
- Records of AML training plans and all formal AML training conducted which include the names of attendees, dates and locations of the training, method of delivery, training materials, and records of training;
- Records of independent testing of programs, including audit reports, audit programs, and records relating to the actions taken in response to the criticisms raised

f) The Company will maintain proper records of the under mentioned transactions:

- (i) All cash transactions of the value of more than Rupees Ten Lakhs or its equivalent in foreign currency, though by policy, the Company does not accept cash deposits.
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.
- (iii) 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 facilitating the transaction.
- (iv) all transactions involving receipts by non-profit organizations of rupees ten lac or its equivalent in foreign currency.
- (v) all cross border wire transfers of the value of more than five lac rupees or its equivalent in foreign currency whether either the origin or destination of fund in India.
- (vi) The list of suspicious transactions pertaining to individuals is given in **Annexure II**.

b. Company will maintain all necessary information in respect of transactions prescribed under Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, so as to permit reconstruction of individual transaction, including the following:

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

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

## **II. Furnishing of information to the Director, Financial Intelligence Unit- India (FIU-IND):**

- (i) In terms of the provisions of the Rule 8 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. Company will, inter-alia, furnish to the Director, FIU-IND, within such time and in such form, the information in respect of transactions as referred under sub-rule (1) of rule 3 of the said Rules.
- (ii) A copy of information furnished will be retained by the 'Principal Officer' for the purposes of official record.

Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND will have powers to issue guidelines to the reporting entities for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

- (iii) As advised by the FIU-IND that Company need not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period.
- (iv) The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports will be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR)/Suspicious Transaction Reports (STR) which FIU-IND has placed on its website will be made use of by Company's which are yet to install/ adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of those Company's, whose

all branches are not fully computerized, will have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.

(v) While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the said Rules will be constituted as a separate violation.

(vi) The Company's will not put any restriction on operations in the accounts where an STR has been filed. The company will keep the fact of furnishing of STR strictly confidential. It will be ensured that there is no tipping off to the customer at any level.

(vii) Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers may be put in to use as a part of effective identification and reporting of suspicious transactions.

### **III. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) complying with the reporting requirements:**

(a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution

(b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) will be referred to.

Explanation- Company will refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://www.fedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H of Income Tax Rules.

(c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H of Income Tax Rules.

(d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.

(e) Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.

(f) Ensure compliance with updated instructions/ rules/ guidance notes/ PreM releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time.

(ii) In addition to the above, other United Nations Security Council Resolutions (UNSCRs) circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time will also be taken note of.

## **10. Risk Management -**

The Management under the supervision of the Board of Directors of the Company shall ensure that an

effective KYC programme is put in place by establishing appropriate procedures and ensuring effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility will be explicitly allocated within the Company for ensuring that the Company's policies and procedures are implemented effectively. The Company shall 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. Further, quarterly audit report and compliance will be sent to the Audit Committee.

#### **11. Internal Audit**

The Company's internal audit department will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Internal Auditors may 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 Board periodically (quarterly basis).

#### **12. Employee Training**

The Company will have an ongoing employee training program 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 so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently. Sales employees would be sensitized about the repercussions of not disclosing information about the Customer in their Verification Reports, tipping off Customers and assisting the Customers to circumvent thresholds for reporting.

#### **13. 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.

#### **14. 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.

#### **15. Appointment of Principal Officer**

The Company has designated Regulatory and Compliance Leader as 'Principal Officer'. Principal Officer is based at our Corporate Office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He 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. He 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 Board of Directors of the company. Principal Officer will also report any unusual matter/information to the Board of Directors of the company as and when it occurs.

Details of Principal Officer and any change therein shall be informed to NHB and Financial Intelligence Unit-India (FIU-IND).

## 16. Responsibilities of Designated Director and Principal Officer-

- Implementing the policy by drawing up the procedures, wherever required
- Coordinating with Risk and Operations for monitoring the compliance of the policy on KYC and AML
- Updating / Modifying the policy with change in laws and regulation with the Boards approval
- Allocating duties and responsibilities to ensure implementation and compliance of the policy framed
- Reviewing and approving all products/services offered by the Company in co-ordination with Business Leaders to ensure compliance with the policy and procedures on KYC and AML
- Ensuring that the procedures and practices applied in case of new products and services are in compliance with the policy
- Training and dissemination of information concerning guidelines and other rules and regulations on KYC and AML and updating staff/ customers of the changes taking place from time to time
- Ensuring that suspicious transactions are reported promptly within the stipulated period from the date of reaching the conclusion of such transaction, to the designated authority
- Arranging for timely submission of the prescribed reports on cash transactions and suspicious transactions, etc. to the designated authority
- Reporting status on the compliance of the KYC norms to the Board

## 17. Other Measures

### A. Secrecy Obligations and Sharing of Information:

(i) The Company will maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.

(ii) While considering the requests for data/ information from Government and other agencies, company will satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in transactions.

(iii) An illustrative (but not exhaustive) list of suspicious transactions in housing/builder/project loans is furnished in Annexure- I for guidance of the Company.

### B. Sharing KYC information with Central KYC Records Registry (CKYCR)

Company will capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015. The Company will upload the Know Your Customer (KYC) data with CERSAI in respect of new individual accounts opened on or after November 01, 2016.

### C. Selling Third party products:

Company acting as agents while selling third party products will comply with the applicable laws/regulations, including system capabilities for capturing, generating and analysing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers.

### D. Adherence to Know Your Customer (KYC) guidelines by Company and persons authorised by company including brokers/agents etc.

(a) Persons authorized by Company for collecting deposits and/ or selling loan related products, their brokers/ agents or the like, will be fully compliant with the KYC guidelines applicable to company.

(b) All information will be made available to the National Housing Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by Company including brokers/ agents etc. who are operating on their behalf.

E. The Company would ensure that the provisions of the PML Act, Rules framed thereunder and the Foreign Contribution (Regulation) Act, 2010, as amended, wherever applicable, are adhered to strictly.

F. The Company would ensure that the provisions of the PML Act, Rules framed thereunder and the Foreign Contribution (Regulation) Act, 2010, 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 company 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. Such decisions need to be taken at a reasonably senior level.

G. **Allotment of Unique Identification Code for Customers**-For purposes of identifying Customers, tracking the facilities availed the Customers, monitoring financial transactions of the Customers in a holistic manner and to enable the Company to have a better approach to risk profiling of its Customers, the Company shall allot unique identification codes to all its Customers.



**Other Parameters to be checked as follows:**

Particular	Individual	Partnership	Company
<b>Application Form</b>	<ul style="list-style-type: none"> <li>Application form would be completely filled with correct information with legible handwriting, preferably by the applicant.</li> <li>Any correction/overwriting on the application form have to be countersigned by applicant(s).</li> <li>Reference details need to be filled with correct demographic details as this helps in case the customer defaults</li> <li>Contact Nos and email IDs are to be captured and are MUST</li> <li>Name, identity, address and date of birth on Application form would match with the relevant KYC documents given by the applicant.</li> <li>In the case of non-individual being on loan structure, Partner / director would sign on behalf of the firm/company affixing rubber stamp showing the designation of the signatory and required resolution is compulsory.</li> </ul>		
<b>Company/ Business Profile</b>	<p><b>In the Case of Salaried:</b> Company profile from the employer of the Applicant on the letter head of the company whose income is considered. However, for reputed companies/ Companies having website with financial details, this can be waived.</p> <p><b>In the Case of Self-Employed:</b> On letter head of the Proprietorship / Firm / Company. Or can be collected by way of download from the website of the company if available.</p>		
<b>Self-attestation &amp; original document seen</b>	<ul style="list-style-type: none"> <li>All KYC documents, Application form &amp; copy of Income documents must be self-attested by the respective applicants.</li> <li>Every page of income documents and bank statements to be self-attested. In case of bulk bank statements 1st and last page of the bank statement can be self-attested. Similarly, 1st and last page of audit report scheduled to the balance sheet can be self-attested. However, balance sheet, profit and loss account, Computation of Income &amp; IT acknowledgement copy has to be self-attested</li> <li>Copies of the documents provided along with the application form must be verified with the originals by the concerned Clix Housing officer/representative.</li> <li>Original Seen stamp to be affixed while verifying the documents with the originals and the officer would put his/her Signature with Name, Designation &amp; Employee Code on copy of such verified document.</li> </ul>		
<b>Signature verification</b>	<p>Signature Verification is mandatory for all applicants or signatories. Any one of the following to be considered for signature verification:</p> <ul style="list-style-type: none"> <li>Banker's signature verification</li> <li>Passport Copy</li> <li>PAN Card</li> <li>Driving license with photograph and signature</li> <li>Clearance of processing fees cheque - Concerned officer has to verify signature on application form with processing fees cheque and copy of PF Cheque need to be attached in the file.</li> </ul>		

**A. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO BUILDER/ PROJECT/ CORPORATE CLIENTS:**

- 1) Builder approaching the Company for a small loan compared to the total cost of the project;
- 2) Builder is unable to explain the sources of funding for the project;
- 3) Approvals/ sanctions from various authorities are proved to be fake or if it appears that client does not wish to obtain necessary governmental approvals/ filings, etc.;
- 4) Management appears to be acting according to instructions of unknown or inappropriate person(s).
- 5) Employee numbers or structure out of keeping with size or nature of the business (for instance the turnover of a company is unreasonably high considering the number of employees and assets used).
- 6) Clients with multijurisdictional operations that do not have adequate centralised corporate oversight.
- 7) Advice on the setting up of legal arrangements, which may be used to obscure ownership or real economic purpose (including setting up of trusts, companies or change of name/ corporate seat or other complex group structures).
- 8) Entities with a high level of transactions in cash or readily transferable assets, among which illegitimate funds could be obscured.

**Annexure-II**

**B. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO INDIVIDUALS:**

- 1) Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- 2) Unnecessarily complex client structure.
- 3) Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear.
- 4) Customer is reluctant to provide information, data, documents;
- 5) Submission of false documents, data, purpose of loan, details of accounts;
- 6) Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
- 7) Reluctant to meet in person, represents through a third party/ Power of Attorney holder without sufficient reasons;
- 8) Approaches a branch/ office of a Company, which is away from the customer's residential or business address provided in the loan application, when there is COMPANY branch/ office nearer to the given address;
- 9) Unable to explain or satisfy the numerous transfers in account/ multiple accounts;
- 10) Initial contribution made through unrelated third party accounts without proper justification;
- 11) Availing a top-up loan and/ or equity loan, without proper justification of the end use of the loan amount;
- 12) Suggesting dubious means for the sanction of loan;
- 13) Where transactions do not make economic sense;
- 14) Unusual financial transactions with unknown source.
- 15) Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.
- 16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- 17) Encashment of loan amount by opening a fictitious bank account;

- 18) 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;
- 19) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- 20) Multiple funding of the same property/ dwelling unit;
- 21) Request for payment made in favour of a third party who has no relation to the transaction;
- 22) 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.
- 23) Multiple funding / financing involving NGO / Charitable Organisation / Small/ Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- 24) Frequent requests for change of address;
- 25) Overpayment of instalments with a request to refund the overpaid amount.
- 26) Investment in real estate at a higher/lower price than expected.
- 27) Clients incorporated in countries that permit bearer shares.

**RED FLAGS / PARAMETERS TO IDENTIFY STR****List of RED FLAG INDICATORS (RFI) for STR identification:**

In order to facilitate an effective reporting regime of STRs by HFCs, the note identifies a list of RFIs that may be further identified as a Suspicious Transaction and then reported as a STR, upon due verification.

The RFIs are identified as situations that may be encountered by HFCs in particular and are categorized under the following broad categories:

- a. Customer Centric;
- b. Transaction / Loan Account Centric;
- c. Property / Property document Centric; and
- d. Cases (falling under a, b & c above) that would require auto reporting
- e. List of RFIs pertaining to builder/project loans

As such the suggested RFIs are essentially situations that would require further analysis as they have the potential of being a STR. The Principal Officers are expected to sensitize the respective HFCs of the RFIs and would there be adequate justification, the RFIs may then be reported as STRs to the Principal Officer for further reporting to the FIU. Mere sighting of the enumerated situations is not expected to be reported as a STR on an "as is" basis as the same is in the nature of possible trigger of reporting as a STR and would be accordingly reported after adequate diligence and with proper justification.

As indicated above, the note also identifies situations that may generate Auto triggers within the system of a HFC which may automatically be referred to the respective Principal Officer for reporting as a STR.

There are certain parts (as specifically indicated) that would need to be assessed by each HFC, in lines of its business practices, and determine the point of trigger of the RFI for the said HFC. Upon such identification, all HFCs are expected to approve the RFIs by their Board and incorporate the same as a part of their respective KYC policy.

Thus in order to ensure effective reporting of STRs, the note identifies the following transactions/ situations as RFIs which (upon adequate diligence and justification) may be identified as a Suspicious Transaction and then onward reported as a STR.

**Part A: RFIs that are Customer Centric:**

Sr. No.	Sub- Category	Types
1.	Identity of Customer	<ul style="list-style-type: none"> <li>a. Submission of false Identification Documents</li> <li>b. Customer holding multiple PAN</li> <li>c. Identification documents which could not be verified within reasonable time or replaced with another set of Identification documents</li> <li>d. Accounts opened with names very close to other reputed business entities</li> <li>e. Customer uses aliases and a variety of similar but different addresses</li> <li>f. Customer spells his or her name differently from one transaction to another, without justification</li> <li>g. Name of customer indicated differently in different KYC documents enabling creation of multiple customer identities</li> <li>h. A customer/company who is reluctant or refuses to provide complete information, data, documents and to reveal details about its activities or to provide financial statements /Employment related documents / KYC documents</li> <li>i. Doubt over the real beneficiary of the loan account</li> <li>j. The customer is reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons.</li> <li>k. The customer approaches a branch/office of a HFC, which is away from the customer’s residential or business address provided in the loan application, when there is HFC branch/office nearer to the given address.</li> <li>l. Changes in mailing address of the Customer that raises suspicion.</li> <li>m. Unusual capital, partnership, management or employment structure of companies compared to other institutions in the same sector or general company structure.</li> <li>n. Current data not updated with relevant regulatory authorities, without justification.</li> <li>o. Existing or new partners/shareholders abstaining from giving information about their personal and commercial background, having indications that they did not have interest, education or experience in the field in which the company operates.</li> </ul>
2.	Background of a customer	<ul style="list-style-type: none"> <li>a. The customer details matched with watch lists (e.g. UN list, Interpol list etc.)</li> <li>b. <b>Notice/Letter from a law enforcement agencies / Regulators/ Other Government Agencies:</b> In case of such notices received, Principal Officer would be informed for further action/advice on the matter. This notice shall be treated as an alert to analyse the transactions in such accounts and if the transactions appear to be suspicious the same would be included in the STR along with the details mentioned in the “Ground of Suspicion”. These Accounts are to be reported even if they are closed.</li> <li>c. <b>Adverse Media / Public News:</b> Branches / offices would check for adverse media coverage with the names of the customer. The names of customers that are pointed as suspects or accused in such reports shall be searched and in case of matches the same may be further internally analyzed for reporting purposes.</li> <li>d. Customer shows income from “foreign sources” on loan application without providing proper documentation.</li> </ul>

3.	Credit bureau Information	Multiple addresses reflecting against the name of the customer which has not been shared / or does not match with the employment history / residence details provided.
----	---------------------------	--

**Part B: RFIs that are Transaction / Loan Account Centric:**

Sr.	Sub- Category	Types
1.	Multiple Accounts	<ul style="list-style-type: none"> <li>a. Use of Bank A/c's of Third Parties for payment of EMIs</li> <li>b. Change in the bank account from which PDC/ ECS are issued</li> <li>c. Total amount of payments through DD, Cash and 3rd party Cheques valued at Rs. Two Lakhs EMIs / part payments in last 30 days</li> <li>d. Customer appears to have recently established a series of new relationships with different financial entities.</li> </ul>
2.	Nature of Activity in an Account	<ul style="list-style-type: none"> <li>a. Unusual activity compared with past transactions.</li> <li>b. Encashment of loan amount by opening a fictitious bank account.</li> <li>c. Activity inconsistent with what would be expected from declared business/profile of the customer.</li> <li>d. Part closure to the extent of 25 % or more of the loan amount in one or more occasions within 6 months.</li> <li>e. Loan Accounts with original tenor of more than year are foreclosed within 6 months after disbursement of loan.</li> <li>f. 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.</li> <li>g. Overpayment of installments in cash with a request to refund the excess amount.</li> <li>h. Customer conducts transactions at different physical locations in an apparent attempt to avoid detection.</li> <li>i. Customer presents confusing details about the transaction or knows only few details about its purpose.</li> <li>j. Customer's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact customer shortly after opening account.</li> <li>k. Account indicated by customer to receive interest payment against a deposit placed is attached by Government Authorities.</li> </ul>

3.	Nature of transactions	<p>a. Unusual or unjustified complexity shown in a Transaction that may normally be done in simpler manner.</p> <p>b. Initial contribution made through unrelated third party accounts without proper justification;</p> <p>c. No economic rationale or bonafide purpose behind the transaction.</p> <p>d. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount</p> <p>e. Suggesting dubious means for the sanction of loan or placing a deposit.</p> <p>f. PAN not disclosed but multiple deposits raised (across branches to avoid TDS).</p>
4.	Value of transactions	<p>a. Value just under the reporting threshold amount in an apparent attempt to avoid reporting.</p> <p>b. Multiple related cash transactions which are broken to just below the following thresholds:</p> <ul style="list-style-type: none"> <li>• Rs.50,000/- in a day</li> <li>• Rs.10,00,000/- in a month</li> </ul> <p>c. Value inconsistent with the client's apparent financial standing.</p> <p>d. Deposits made in cash amounting to Rs. Two Lakh and above and without details of source.</p>
5.	Transaction amongst family members	Transaction between members of the same family to avail a loan wherein there is no genuine transaction / rationale.
6.	Transaction more than specified percentage of the EMI, paid in cash by a Delinquent Borrower.	Delinquent borrower for more than 6 months repays the loan in cash.

**Part C: RFIs that are Property/Property Document Centric:**

S. No.	Sub- Category	Types
1.	Cash payment indicated in the Sale Deed/ Agreement	Cash payment shown as consideration paid to the seller for purchase of a property and the source of which cannot be explained or proof not provided by the customer.
2.	Valuation of property	Valuation of property shown considerably lower in the sale deed than the government approved rate / RESIDEX, especially on sale deeds executed within a period of 12 months.
3.	Change in Ownership without rationale	Converting/changing the individual properties in the name of Company/Trust/HUF/Partnership Firm/LLP by executing a sale deed at a low price or by way of any type of agreement, attorney, arrangement (registered or not) and subsequently in quick succession further transaction is shown at a considerably higher amount in favor of third parties.
4.	Refusal to share own Contribution details	Specifically in cases where the source is specified as "Funds from Family" and the customer fails or refuses to divulge any information or proof on where the concerned family member is providing the funds from.
5.	Property repurchased	Customer buys back a property that he or she recently sold without justification

**Part D: RFIs that may be considered to be auto generated through a system**

S. No.	Scenario	Indicator/ Trigger
1	Foreclosure by a customer in a very short period	Loan Accounts with original tenor of more than 1 year are foreclosed within 6 months after disbursement of loan.
2	Frequently change in repayment bank account during currency of account	Change in the bank account from which PDC/ ECS are issued
3	Negative information about customer through external sources/ database or Notice received from any Agency / Regulator/ Other Government Agencies	<p>a. The customer details matched with watch lists (e.g. UN list, Interpol list etc.)</p> <p>b. <b>Notice/Letter from a law enforcement agencies / Regulators/ Other Government Agencies:</b> In case of such notices received, Principal Officer would be informed for further action /advise on the matter. This notice shall be treated as an alert to analyse the transactions in such accounts and if the transactions appear to be suspicious the same would be included in the STR along with the details mentioned in the "Ground of Suspicion". The Accounts are to be reported even if they are closed.</p> <p>c. <b>Adverse Media / Public News:</b> Branches / offices would check for adverse media coverage with the names of the customer. The names of customers that are pointed as suspects or accused in such reports shall be searched and in case of matches the same may be further internally analyzed for reporting purposes.</p>
4	Frequent change of Address without reasonable explanation	Changes in mailing address of the customer in last 6 months that raises suspicion.



5	Account having a large volume of repayments by depositing DD, Cash and 3rd party Cheques	Total amount of payments through DD, Cash and 3 <sup>rd</sup> party Cheques valued at 25% of EMIs / part payments in last 30 days
6	Transaction more than specified percentage of the EMI, paid in cash by a Delinquent Borrower.	Delinquent borrower for more than 6 months repays the loan in cash.
7	Cash transactions	Multiple related cash transactions which are broken to just below the following thresholds: (i) Rs.50,000/- in a day (ii) Rs.10,00,000/- in a month
8	Part payments	Part closure to the extent of 25 % or more of the loan amount in one or more occasions within 6 months.
9	Separate bank accounts	Use of Bank A/c's of Third Parties for payment of EMIs

A. **Trigger Review Chart** for event based review to periodically update KYC has been embedded below.

		Depth of Review							
		Re-Risk Rate	Refresh CIP	Refresh CDD	Collect or Refresh EDD	Re-Screen for Sanctions	Re-Screen for PEP	Screen or Re-Screen for Negative Media	Review Transaction History
<b>Trigger Event</b>	<b>Name Change</b>	No	Only entity Verification form (e.g., formation doc)	No	No	Yes	Yes	Only if High risk	No
	<b>Address Change - Same jurisdiction</b>	No	Only address	No	No	No	No	No	No
	<b>Address Change - New jurisdiction</b>	Yes	Only address unless CRR changes	Only if CRR changes	Only if CRR changes to High	Yes	Only if CRR changes	Only if CRR changes to High	Only if CRR changes
	<b>Entity Type Change</b>	Yes	Only entity type info and verification form if entity type is indicated in name	Only if CRR changes	Only if CRR changes to High	Only if change in entity type = change in name and/or other KYC changed	Only if CRR changes	Only if CRR changes to High	Only if CRR changes
	<b>Change in Listed or Regulated Status</b>	Yes	Only verification form (e.g., proof of status or formation doc)	Only if CRR changes	Only if CRR changes to High	No	Only if CRR changes	Only if CRR changes to High	Only if CRR changes

<b>BO Change</b>	Only if screening results warrant (e.g., PEP identified)	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Yes, name of new BO(s)	Yes, name of new BO(s)	Only if CRR changes to High	Only if CRR changes
<b>Control Person Change</b>	Only if Screening results warrant	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Yes, name of new Controllers(s)	Yes, name of new Controllers(s)	Only if CRR changes to High	Only if CRR changes
<b>Guarantor Change</b>	Only if screening results warrant	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Yes, name of new Guarantor(s)	Yes, name of new Guarantor(s)	Only if CRR changes to High	Only if CRR changes
<b>Co-Borrower<sup>[1]</sup> Drawing on Credit</b>	At time of draw	At time of draw	At time of draw	At time of draw	At time of draw	At time of draw	Only if High risk, at time of draw	At time of draw
<b>New Product</b>	Yes	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Only if CRR changes
<b>Same Product – New Features</b>	Only if product risk rating changes	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Only if CRR changes
<b>Expansion of Existing Credit Line</b>	No	No	No	No	No	No	No	Only if TM. not in place
<b>Same Product - New Deal</b>	No	No	No	No	No	No	No	Possibly

<b>Business or Industry Change</b>	Yes	Only if CRR changes	Only if CRR changes	Only if CRR changes to High	Only if CRR changes	Only if CRR changes	Only if High risk	Only if CRR changes
<b>Law Enforcement RFI</b>	Yes	Yes	Yes	Yes, if CRR changes to High	Yes	Yes	Yes	Yes
<b>True Sanctions Hit</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Material &amp; Relevant PEP</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes
<b>Material Negative News Identified</b>	Yes	Only if CRR changes	Only if CRR changes	Yes	Only if CRR changes	Only if CRR changes	Yes	Only if CRR changes
<b>Transactional Monitoring Event</b>	Yes	If CRR changes or if investigation warrants	If CRR changes or if investigation warrants	If CRR changes to High or if investigation warrants	If CRR changes or if new CIP information, BO or Controllers are identified through investigation	If CRR changes or if new CIP information, BO or Controllers are identified through investigation	Only if CRR changes to High or if new CIP information, BO or Controllers are identified through investigation	Yes
<b>SAR Filing</b>	Yes	Yes	Yes	Yes	Yes	Yes	Yes	Yes

[1] Based on typical large multi-borrower deals.

\*\*\*\*\*