



REPCO HOME FINANCE LTD
Corporate Office: Alexander Square, Sardar Patel Road, Guindy, Chennai

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18/06/2019

CIRCULAR

Know Your Customer (KYC) Policy and Anti Money Laundering (AML) Guidelines

National Housing Bank vide their recent policy circular number 94/2018-19 dated March 11, 2019 has issued revised guidelines on 'Know Your Customer' and 'Anti-Money Laundering Measures for Housing Finance Companies (HFCs) and have also advised all HFCs to put in place a Board approved KYC Policy and AML guidelines in tune with the revised norms.

In line with the above norms, our Board in its 95th Meeting held on 29th May 2019 has approved KYC Policy & AML guidelines for our Company and the same is annexed to this circular.

The KYC Policy & AML guidelines comes into force with immediate effect.

Sd/-
Managing Director

Sd/-
Chief Development Officer

Copy to:
All RHFL Branches & SAT Centres/RO-Heads
MD/COO/CDO/GM's Table
Credit/Accounts/Sales/Marketing Department
Inspection/Recovery /Vigilance Department
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Know Your Customer (KYC) Policy
&
Anti-Money Laundering (AML) Guidelines

(Duly approved by the Board in its 95th Meeting Held on 29th May 2019)

Know Your Customer Policy and Anti Money Laundering Guidelines

CHAPTER – 1

Preliminary

1.1 Preamble

Government of India enacted a statute called Prevention of Money Laundering Act, 2002 (hereinafter referred to as 'PML Act') and framed rules thereunder wherein the financial institutions are cast with statutory obligations of adhering to the prescriptions made therein. Based on these statutory requirements, National Housing Bank (NHB) issued guidelines to Housing Finance Companies to formulate policies and guidelines for adherence to these requirements. Accordingly, Repco Home Finance Ltd (Company) formulated a policy on the subject and amended the same from time to time.

Now, NHB reviewed the guidelines in the light of subsequent developments including various amendments to PML Act and Prevention of Money Laundering (Maintenance of Records) Rules, 2005 hereinafter referred to as 'PML Rules' and issued revised guidelines on 'Know Your customer Policy' and 'Anti-Money Laundering Measures' and instructed the HFCs to follow the same by amending the existing policy and ensure strict compliance. The revised guidelines were issued under the National Housing Bank Act, 1987 and any contraventions of or non-compliance with the same would attract penal consequences under the Act.

Accordingly, our existing KYC Policy is reviewed and comprehensive KYC Policy and AML Guidelines are issued in lieu of the existing policy.

1.2 These guidelines shall be called "Know Your Customer Policy and Anti-Money Laundering Guidelines" (KYC Policy & AML Guidelines)

1.3 It shall come into force from the date of issue of circular introducing the same.

1.4 These guidelines shall replace the existing KYC policy and the subsequent amendments. However, any action taken by any officer of the Company prior to approval of the policy based on the existing policy or practice shall not become invalid in view of the introduction of the present policy until it is modified / altered by the Competent Authority.

1.5 In terms of Credit Policy, our Company entertains loans only to individual borrower(s) and not to any other entity. However, this Policy deals with all other entities also which may not be relevant in so far as the lending activities are concerned. However, the same may be taken into consideration for other aspects such as engagement of DSAs, Recovery Agents, Outsourced activities, etc. In the event of the Company extending loans to entities, the guidelines relating to such entities shall apply.

2. Definitions

2.1 "Aadhaar Number" means an identification number as defined under Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (Aadhaar Act)

2.2 "Authentication" means the process as defined under Sub-Section (c) of Sec 2 of Aadhaar Act.

2.3 "Beneficial Owner" (BO):-

a. Where the **customer is a company**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the 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 **customer 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/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.

c. Where the **customer 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 persons, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation: Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

d. Where the **customer 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.

2.4 "Cash Transaction" for the purpose of this Policy shall mean

- (A) All cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;
- (B) All series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;
- (BA) all transactions involving receipts by non-profit organisations of value more than rupees ten lakhs or its equivalent in foreign currency;
- (C) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions.

2.5 "Central KYC Records Registry" (CKYCR) means a reporting entity, substantially owned and controlled by the Central Government, and authorised by that Government through a notification in the Official Gazette to receive, store, safeguard and retrieve the KYC records in digital form of a client in such manner and to perform such other functions as may be required under these rules

2.6 "Company" shall mean Repco Home Finance limited

2.7 "Customer" means a 'Person' as defined below who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting

2.8 "Designated Director" shall mean a person designated by the Company to ensure overall compliance with the obligations imposed under the PML Act and PML Rules

2.9 "FATCA" means Foreign Account Tax Compliance Act of United States of America which, inter alia, requires foreign financial institutions to report about the financial accounts held by US tax payers or foreign entities in which US tax payers hold substantial ownership interest

2.10 "KYC Templates" means templates prepared to facilitate collating and reporting the KYC data to CKYCR for individual and legal entities.

2.11 "Non-face-to-face customer" means customers who open accounts without visiting the branch / office of the Company or meeting the officials of the Company.

2.12 "**Officially Valid Documents**" (OVD) means the documents defined under the PML Rules as below:

- I. **Passport,**
- II. **Driving licence,**
- III. **Permanent Account Number (PAN) Card,**
- IV. **Voter's Identity Card issued by Election Commission of India,**
- V. **Job card issued by NREGA duly signed by an officer of the State Government,**
- VI. **Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number**
or
- VII. **Any other document as notified by the Central Government in consultation with the Regulator**

2.13 "Periodic Updation" means steps taken to ensure that the documents, data or information collected under Customer Due Diligence is kept up to date and relevant by undertaking reviews of existing records at periodicity prescribed by NHB.

2.14 "Person" includes

- (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 persons

2.15 "Politically Exposed Persons" (PEP) 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.

2.16 "Principal Officer" means the officer designated by the Company for the purpose of this Policy

2.17 "Senior Management" shall include Managing Director, Chief Operating Officer, Chief Development Officer, any other officer appointed in that cadre and General Managers.

2.18 "Suspicious Transaction" means a transaction including an attempted transaction, whether or not made in cash, which to a person acting in good faith -

(a) 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

(b) Appears to be made in circumstances of unusual or unjustified complexity; or

(c) Appears to have no economic rationale or bona fide purpose; or

(d) Gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;

Explanation:- Transaction involving financing of 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 organisation or those who finance or are attempting to finance terrorism.

2.19 "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes -

(i) Opening of an account;

(ii) Deposits, 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;

(iii) Entering into any fiduciary relationship;

(iv) Any payment made or received in whole or in part of any contractual or other legal obligation;

(v) Establishing or creating a legal person or legal arrangement.

2.20 All other words and expressions used and not defined herein shall have the meaning respectively assigned to them in PML Act and PML Rules, any statutory modifications or re-enactments thereto or as used in commercial parlance, as the case may be.

3. General:-

3.1 This policy shall enable the Company to know/understand its customers and their financial dealings better which will enable carrying out the operations and manage the risks prudently and thereby prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities. Hence, it becomes incumbent on all the staff members to understand the Policy and adhere to the guidelines stipulated herein with letter and spirit.

3.2. Designated Director:-

3.2.a The Board of Directors of the Company shall nominate a Director who shall be known as 'Designated Director' to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules.

3.2.b The name, designation and address of the Designated Director, including changes from time to time shall be communicated to the Director, Financial Intelligence Unit – India (FIU-IND) and also to NHB.

3.2.c The Principal Officer shall not be nominated as Designated Director

3.3. Principal Officer:-

3.3a The Managing Director shall appoint a Principal Officer of the level of General Manager or above.

3.3b. The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, sharing and reporting information as required under the law / regulations.

3.3c. The Principal Officer shall act independently and shall report directly to the MD & CEO / Designated Director

3.3d The name, designation and address of the Principal Officer, including changes from time to time, shall be communicated to the Director, FIU-IND and also to NHB.

3.4 The Company may engage any agency for verification of KYC documents for authenticity besides verification by own employees. However, the decision making functions of determining compliance with KYC norms shall not be outsourced.

3.5 The key elements of the Policy shall include the following:-

- a. Customer Acceptance Policy (CAP)
- b. Risk Management
- c. Customer Identification Procedure (CIP) including Customer Due Diligence (CDD)
- d. Monitoring of Transactions.

CHAPTER – 2
Customer Acceptance Policy

4.1 The Customer Acceptance Policy of the Company shall ensure the following:-

- a. No account is opened in anonymous or fictitious / *benami* name.
- b. No account is opened where the Company is unable to apply appropriate Customer Due Diligence (CDD) measures, either due to non-cooperation of the customer or non-reliability of the documents / information furnished by the customer.
- c. No transaction or account based relationship is undertaken without following the CDD procedure.
- d. The mandatory information sought for KYC purpose while opening an account and during the periodic updation is specified.
- e. 'Optional' / additional information is obtained with the explicit consent of the customer after the account is opened.
- f. CDD Procedure is followed for all the joint account holders, while opening a joint account
- g. If an existing KYC compliant customer of the Company desires to open another account with the Company, there shall be no need for a fresh CDD exercise.
- h. Circumstances in which, a customer is permitted to act on behalf of another person / entity, are clearly spelt out.
- i. Suitable system shall be put in place to ensure that the identity of the customer does not match with any person or entity, whose names appear in the sanctions list issued by the UN Security Council circulated by NHB and the sanctions list circulated by Reserve bank of India from time to time.

4.2 The Company shall ensure that the Customer Acceptance Policy and its implementation shall not result in denial of services of the Company to the general public, especially those, who are financially or socially disadvantaged.

CHAPTER – 3
Risk Management

5.1 For Risk Management, the Company shall have a risk based approach which includes the following.

(a) Customers shall be categorised as Low, Medium and High risk category, based on the assessment and risk perception as detailed infra

(b) Risk categorisation shall 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.

(c) It shall be ensured that various other information collected from different categories of customers relating to the perceived risk shall be non-intrusive.

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

5.2 The following broad guidelines for risk categorisation of customers shall be adhered to:-

(i) Low risk customers:-

For the purpose of this policy, Low Risk Customers will be 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. Illustrative examples of low risk customers are given below:

(a) Salaried applicants with salary paid by cheque or bank account credit.

- (b) People belonging to government departments,
- (c) People working with government owned companies, regulators and statutory bodies etc.
- (d) People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- (e) People working with Public Sector Units
- (f) People working with reputed Public Limited companies & Multinational Companies.

(ii) Medium Risk customers would include:

- (a) Salaried applicants with variable income/unstructured income receiving salary in cheque
- (b) Salaried applicants who are paid salary by way of cash
- (c) Salaried applicants working with Private limited companies and other entities
- (d) Self Employed professionals
- (e) Self Employed customers with sound business and profitable track record for a reasonable period.

(iii) High risk customers:

High Risk Customers are those persons or entities that are likely to pose a higher than average risk to us 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 detail based on the risk assessment as per Credit Policy.

Examples of high risk customers requiring higher due diligence may include:

- (a) Non-resident customers,
- (b) High Net worth Individuals {HNI}. HNI for this purpose shall mean individuals whose annual income is more than Rs. 24 lakhs per annum.
- (c) Trusts, charities, NGOs and organizations receiving donations.

- (d) Companies having close family shareholding or beneficial ownership,
- (e) Firms with 'sleeping partners'
- (f) Politically exposed persons (PEPs)
- (g) Non-face to face customers
- (h) Those with dubious reputation as per available public information, etc.

CHAPTER – 4

Customer Identification Procedure (CIP) including Customer Due Diligence (CDD)

6. CDD - General

6.1 Customer identification shall mean identifying the customer and verifying his/ her / its identity by using reliable, independent source documents, data or information while establishing a relationship. The Company shall 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 such as insurance products, selling our own product and any other product for more than rupees fifty thousand.

6.2 For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, Company may rely on customer due diligence 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.
- (b) Adequate steps are taken by Company to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall 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 PML Act.
- (d) The third party shall not be based in a country or jurisdiction assessed as High risk.

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

6.3 Customer Due Diligence (CDD) Procedure:-

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

(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 the OVD containing details of identity and address and one recent photograph and

(ii) The Permanent Account Number (PAN) or Form 60 as defined in Income Tax Rules, 1962, as amended from time to time

Explanation 1:- Obtaining a certified copy shall mean comparing the copy of OVD so produced by the client with the original and recording the same on the copy by the official 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 shall submit one of the OVDs at their option.

Explanation 3:- Where the customer is submitting Aadhaar, the Company shall be guided by the directions issued by UIDAI from time to time.

6.3.2 In case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-

- i. Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
 - ii. Property or Municipal tax receipt;
 - iii. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - iv. 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
- v. In case the OVD submitted by a foreign national does not contain the details of address, in such cases the documents issued by the government departments of foreign jurisdictions and the letter issued by the foreign Embassy or Mission in India shall be accepted as proof of address.

Provided further that the customer shall submit Aadhaar or OVD updated with current address within a period of three months of submitting the above documents”

6.3.3 A customer already having an account based relationship with the Company shall submit his PAN or Form 60, failing which no further loans shall be considered and only credits shall be allowed.

7. CDD procedure in case of Individuals

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

- (a) Obtain information as mentioned under Clause 6 above and

(b) Such other documents pertaining to the nature of business or financial status as specified in Credit Policy and Due Diligence procedure.

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

8. CDD Measures for Sole Proprietary firms

8.1 For opening an account in the name of a sole proprietary firm, identification information as mentioned under Clause 6 above in respect of the individual (proprietor) shall be obtained.

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

(a) Registration certificate

(b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.

(c) Sales and income tax returns.

(d) CST/VAT/ GST certificate (provisional/final).

(e) Certificate/registration document issued by Sales Tax / Service Tax / Professional Tax authorities.

(f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of 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.

8.3 In cases where the Company is satisfied that it is not possible to furnish two such documents, the Company may, accept only one of those documents as proof of business/activity.

Provided the branch officials 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 themselves that the business activity has been verified from the address of the proprietary concern and provide certificate to that effect.

9. CDD Measures for Legal Entities

9.1 Company

For opening an account of a company, certified copies of each of the following documents shall be obtained:

- (a) Certificate of incorporation.
- (b) Memorandum and Articles of Association.
- (c) Permanent Account Number (PAN) of the company
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf.
- (e) One copy of an OVD containing details of identity and address, one recent photograph and PAN or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

9.2 Partnership firm

For opening an account of a partnership firm, the certified copies of each of the following documents shall be obtained:

- (a) Registration certificate.
- (b) Partnership deed
- (c) PAN of the partnership firm

(d) One copy of an OVD containing details of identity and address, one recent photograph and PAN or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

9.3 Trust

For opening an account of a trust, certified copies of each of the following documents shall be obtained:

- (a) Registration certificate.
- (b) Trust deed.
- (c) PAN or Form 60 of the trust
- (d) One copy of an OVD containing details of identity and address, one recent photograph and PAN or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

9.4 Unincorporated association or a body of individuals

For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents shall be obtained:

- (a) Resolution of the managing body of such association or body of individuals;
- (b) PAN or Form 60 of 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 PAN or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf
- (e) Such other documents as may be prescribed by Legal Dept to collectively establish the legal existence of such association or body of individuals.

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

9.5 Other juridical persons

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, certified copies of the following documents shall be obtained:

- (a) Document showing name of the person authorised to act on behalf of the entity;
- b) Aadhaar/ PAN/ Officially valid documents 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 Legal department to establish the legal existence of such an entity / juridical person.

10. CDD measures for identification of Beneficial Owner

10.1 For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of Rule 9(3) of the PML Rules to verify his/her identity shall be undertaken keeping in view the following:

- (a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- (b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

11. Enhanced Due Diligence Measures

11.1 Accounts of non-face-to-face customers:

The Company shall 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

11.2 Accounts of Politically Exposed Persons (PEPs)

11.2.1 The Company shall 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 shall have been verified before accepting the PEP as a customer;
- (c) The decision to open an account for PEP is taken by the Principal Officer in accordance with the 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 PEP, Principal Officer'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.

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

11.3 Customer's accounts opened by Professional Intermediaries:

The Company shall ensure while opening client accounts through professional intermediaries, that:

- a) Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.

b) The Company shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.

c) The Company shall 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 shall be identified where funds held by the intermediaries are not co-mingled at the level of the Company, and there are 'subaccounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of the Company, the company shall look for the beneficial owners.

e) The Company shall, at its discretion, rely on the 'customer due diligence' (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.

12. Periodic Updation

Periodic updation of KYC details shall 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) The Company shall 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 shall be obtained at the time of periodic updation from individuals not eligible to obtain Aadhaar, except from individuals 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 self-certification to that effect shall be obtained.

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

(b) The Company shall 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., shall be acceptable.

(c) The Company shall 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.

CHAPTER – 5

Monitoring of transactions

13. Ongoing Due Diligence

KYC procedure mandates effective ongoing monitoring. The Company can effectively control and reduce the risk only if it has an understanding of the normal and reasonable activity of the customer so that it has the means of identifying the transactions that fall outside the regular pattern of activity.

- a. The Company shall pay special attention to all complex, unusually large transactions and all unusual pattern which have no apparent economic or visible lawful purpose.
- b. The extent of monitoring shall be aligned with the risk category of the customer
- c. A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in twelve months, and the need for applying enhanced due diligence measures shall be put in place. Accordingly, the unusual pattern of remittance during the last twelve months shall be studied to ensure that the source of repayment is from the legitimate source of income.

14. Maintenance of Records of Transactions

14.1 The Company shall maintain the record of all transactions as mentioned in Rule 3 of PML Rules including, the record of—

(A) All cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;

(B) All series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of ten lakh rupees or its equivalent in foreign currency;]

(C) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;

(D) All suspicious transactions whether or not made in cash and by way of—

(i) Deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of—

(a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or

(b) Transfer from one account to the other or

(c) Any other mode in whatsoever name it is referred to;

(ii) An illustrative list of Suspicious Transactions is given in Annexure – 1. It is only indicative and not exhaustive. In the event of doubt as to whether a transaction is suspicious or not, the matter shall be referred to the Principal Officer to decide.

(E) All cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.

14.2 The Company shall maintain all necessary information in respect of transactions prescribed under Rule 3 of PML Rules so as to permit reconstruction of individual transaction, including the following:

(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.

14.3 The Company shall,

(a) Maintain all necessary records of transactions between the Company and the customer, both domestic and international, for at least five years from the date of transaction;

(b) Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;

(c) Maintain records of the identity and address of their customer, and records in respect of transactions referred above in hard or soft format.

(d) Make available the identification records and transaction data to the competent authorities upon request;

14.4 The Company's Maintenance of Records Policy shall contain the system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;

15. Furnishing of information to Financial Intelligence Unit – India (FIU-IND)

1. In terms of Rule 8 of PML Rules, the Company shall furnish to the Director, FIU – IND the information in respect of transactions as referred under Clause 14.1 referred above.

2. A copy of the information shall be retained by the Principal Officer for the purpose of official record.

3. In terms of guidelines issued by FIU-IND, the Company need not submit 'NIL' report in case there are no Cash / Suspicious Transactions during a particular period.

4. 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 shall be taken note of.

5. The Company understands that while furnishing information to FIU-IND, the delay of each day in not reporting a transaction or delay of each day in rectifying a misrepresented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation.

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

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

16. Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)

1. Under FATCA and CRS, the Company shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for 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) shall be referred to.

Explanation: The Company shall 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/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time.

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

CHAPTER – 6

Other Measures

17. Secrecy Obligations and Sharing of Information:

a) The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.

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

18. Sharing KYC information with Central KYC Records Registry (CKYCR):

The Company shall 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 shall upload the Know Your Customer (KYC) data with CERSAI in respect of new individual accounts opened on or after November 01, 2016.

19. Hiring of Employees and Employee training

(a) Adequate screening mechanism as an integral part of the personnel recruitment/hiring process shall be put in place.

(b) On-going employee training programme shall be put in place so that the members of staff are adequately trained in KYC / AML Policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit

function with persons adequately trained and well-versed in AML/CFT policies of the Company, regulation and related issues shall be ensured.

20. Selling Third party products

The Company acting as agents while selling third party products shall 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.

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

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

(b) All information shall 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 the Company including brokers/agents etc. who are operating on our behalf.

22. The Company shall ensure that the provisions of PML Act and the rules framed thereunder and the Foreign Regulation (Regulation) Act, 2010, wherever applicable, shall be adhered to strictly.

23. 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 decision shall be taken by the Principal Officer.

24. Independent Evaluation of compliance of KYC Policy

Internal Audit / Concurrent Audit shall evaluate the system of effectiveness of the KYC Policy and procedures and verify the compliance with KYC Policy / AML Measures and report to Top Management on an annual basis.

25. Quarterly Reporting to ACB

The Company shall place a note containing review on adherence to KYC norms and AML measures to Audit Committee of the Board on quarterly basis.

26. Overriding effect

In the event of any guidelines conveying conflicting meaning / ambiguity with the NHB guidelines / statutory prescriptions, such NHB guidelines / statutory prescriptions shall prevail. Any regulatory / statutory guidelines issued subsequent to the introduction of this Policy shall be deemed to be part of this Policy and shall be binding on all concerned.

27. Actions so far taken

Any action taken by any of the Company prior to approval of the policy based on the existing policy or practice shall not become invalid in view of the introduction of the present policy until it is modified / altered by the Competent Authority.

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

- 1) Builder approaching the HFC 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.

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, which is away from the customer's residential or business address provided in the loan application, when there is 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 NCO / Charitable Organisation / Small/ Medium Establishments (SMEs) / Self Help Groups (SHCs) / Micro Finance Groups (MFCs)

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.
