

KNOW YOUR CUSTOMER AND ANTI-MONEY LAUNDERING MEASURES

PREAMBLE

The objective of 'Know Your Customer (KYC) Guidelines' & Anti Money Laundering (AML) Measures is to prevent Housing Finance Companies (HFCs) from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable HFCs to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently.

As per NHB guidelines on KYC policy & AML, Homeshree Housing Finance Limited (Hereinafter referred as to '**Company**') is required to have its KYC policy & AML measures for its operations in line with extant guidelines framed therein. This document should not be seen in isolation but in conjunction with the other policy documents that define the overall working of the company. For the sake of simplicity and to avoid confusion, any matter covered in other policy documents is not repeated in this document.

OBJECTIVE

The KYC Policy and AML measures are applicable to all customers/clients having following key elements:

- Customer Acceptance Policy;
- Customer Identification Procedure;
- Risk Management; and
- Monitoring of Transactions.

APPLICABILITY

It may be noted that KYC policy as stated in this document shall prevail over anything else contained in any other document/process/circular/ letter/instruction in this regard.

This policy shall be applicable to all verticals/products of the Company whether existing or rolled out in future.

DEFINITIONS

"Aadhaar number" means an identification number as defined under sub-section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act';

"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;

"Authentication" 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 for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it;

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 person, has/have a controlling ownership interest or who exercise control through other means.

Explanation - For the purpose of this sub-clause: -

- (i) "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company.
- (ii) "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 off 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 person, has/have ownership off entitlement to more than 15 percent 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.

"Cash Transactions" means "Cash Transactions" as defined under rule 3 of the Rules.

"Customer" means a 'person', who is engaged in a financial transaction or activity with an HFC and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting;

"Customer Due Diligence" (CDD) means "Client Due Diligence" as defined under rule 9 of Prevention of Money Laundering (Maintenance of Records) Rules 2005;

"Central KYC Records Registry" (CKYCR) means an entity defined under Rule 2(1)(aa) of Prevention of Money Laundering (Maintenance of Records) Rules 2005, to receive, store, safeguard and retrieve the KYC records in digital form of a customer

"Customer Identification" means undertaking the process of CDD.

"Person" has the same meaning as defined in the Act and includes:

- (a) an individual,
- (b) a Hindu undivided family,
- (c) a company,
- (d) a firm,
- (e) an association of persons or a body of individuals, whether incorporated or not,
- (f) every artificial juridical person, not falling within anyone of the above persons (a to e),

and

(g) any agency, office or branch owned or controlled by any of the above persons (a to f)

"Officially Valid Document" (OVD) means OVD as defined under rule 2(l)(d) of the Rules and the amendments thereto.

"Politically Exposed Persons" (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.

CUSTOMER ACCEPTANCE POLICY

(1) The Customer Acceptance Policy will ensure the following aspects of customer relationship

- No account is opened in anonymous or fictitious/benami name(s);
- Not to open an account where the Company is unable to apply appropriate Customer Due Diligence measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. Suitable built-in safeguards shall be provided to avoid any harassment to customers.
- No transaction or account-based relationship is undertaken without following the CDD procedure.
- The Company will collect the mandatory information for KYC purpose while opening an account and during the periodic updation. Optional/additional information, will be obtained with the explicit consent of the customer after the opening of his account.
- CDD Procedure is followed for all the joint account holders, while opening a joint account.
- If an existing KYC compliant customer of our Company desires to open another account with us, there shall be no need for a fresh CDD exercise.
- The Company will take necessary checks (by its own or through any specialized agency) to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanction's lists issued by UN Security Council circulated by National Housing Bank and the sanctions lists circulated by Reserve Bank of India from time to time.
- In the following circumstances, the account may be opened/ operated by a mandate holder or by an intermediary, such as chartered accountants, solicitors, mutual funds, stock brokers etc., 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:

-if applicant is NRI/PIO;

- if applicant is a limited company;

- if applicant is a partnership firm;

It is important to bear in mind that the Customer Acceptance Policy of the Company and its implementation isn't too restrictive that will result in denial of Company's services to general public, especially to those, who are financially or socially disadvantaged.

Detailed Customer Due Diligence Procedure is mentioned in **Annexure-1**.

CUSTOMER IDENTIFICATION PROCEDURE (CIP)

- (1) Customer identification means identifying the customer and verifying his/ her/its identity by using reliable, independent source documents, data or information while establishing a relationship. The Company will obtain sufficient information such as Voter ID Card, PAN, Passport, Aadhar etc necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of intended nature of relationship.
- (2) the Company will undertake the identification of customers in the following cases:
 - at the time of commencement of an account-based relationship;
 - When there is doubt about the authenticity or adequacy of the customer identification data it has obtained;
 - transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected; or
 - any international money transfer operations.

Therefore, as per the Customer Identification Policy, identification procedure will be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when there is a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

- (3) The Company will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Wherever necessary, identity of customers at the time of commencement of an account-based relationship, the Company may rely on CDD done by a third party appointed for identification procedure. The Company will ensure that the Third Party 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 and the third party should not be based in a country or jurisdiction assessed as high risk.
- (4) The Company shall ensure that the Third Party who has carried the CDD shall submit its report within two days from the date of completion of CDD and such reports shall be maintained available, as and when requested, from third parties without any delay.

Risk Management

- (1) The Company will prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy. 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. 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. Any other information from the customer should be sought separately with his/her consent and after opening the account. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purpose. The Company will continue to share customer data with CIBIL and empaneled Field Investigation agencies and such other organizations/entities subject to confidentiality clause, since the purpose of sharing this information is to ensure risk minimization.
- (2) As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high-risk categories.

(A) **Low risk customers** for the purpose of this policy, will be individuals (excluding High Net Worth) 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. In these cases, only the basic requirements for verifying the identity and location of the customer have to be met. Illustrative examples of low risk customers are as under

- Salaried employees with well-defined salary structures;
- People working with government departments, Government owned Companies, Regulators and Statutory Bodies, etc.;
- People belonging to lower economic strata of the society whose accounts show small balances and low turnover;
- People working with Public Sector Units/ Undertakings.
- People working with reputed Public Limited Companies & Multinational Companies.

(B) **Medium risk customers** for the purpose of this policy will be individuals and entities that are likely to pose an average risk to the Company. Medium Risk Customers would include:

- Salaried applicants with variable income/unstructured income receiving salary in cheque
- Salaried applicants working with Private Limited Companies.
- Self Employed professionals other than HNIs
- Self Employed Customers with sound business and profitable track record for minimum 2 years.
- High Net worth Individuals with occupational track record of more than 3 years.

(C) **High Risk Customers** are those that are likely to pose a higher than average risk to the Company may be categorized as 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 shall apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. Examples of high-risk customers requiring higher due diligence may include:

- Non-resident customers,
- High net worth individuals, without an occupational track record of more than 3 years.
- 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
- Those with dubious reputation as per available public information, etc

Politically Exposed Persons (PEPs) will be given due consideration and may, if considered necessary be categorized even higher risk, and their account will be opened only after formal approval of senior management (Vice President & above). In the event of an existing customer or the beneficial owner of an existing account subsequently becoming PEP, the Company will obtain senior management approval in such cases to continue the business relationship with such person, and also undertake enhanced monitoring as indicated and specified in **Annexure I**.

- (3) 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.

MONITORING OF TRANSACTIONS

a) Maintenance of Records of the Transactions

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

- All cash transactions of the value of more than Rupees Ten Lacs or its equivalent in foreign currency, though by policy the Company do not accept cash deposits in foreign currency.
- All series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and aggregate value of such transactions exceeds Rupees Ten Lakh.
- All transactions involving receipts by non-profit organizations of Rupees Ten Lakhs or its equivalent in foreign currency.
- All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; any such transactions; and
- All suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3 (1) (D) of Rules. An Illustrative List of suspicious transaction pertaining to Housing Loan is given in **Annexure II A & II B**

The Company would ensure that its branches will continue to maintain proper record of all cash transactions (deposits and withdrawals) of Rs.10 Lakh and above. The Company will develop the internal monitoring system that should have an inbuilt procedure for reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to controlling/head office on a fortnightly basis.

b) Record of the specified information

The Records referred to above in Rule 3 of PMLA Rules to contain the following information so as to permit reconstruction of individual transaction:

- the nature of the transactions;
- the amount of the transaction and the currency in which it was denominated;
- the date on which the transaction was conducted; and
- the parties to the transaction.

Further to effectively control and reduce risk of Money laundering, the Company will monitor -

- (i) All complex and unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.
- (ii) Transactions involving large amount of cash in consistent with normal and expected activity of the customer will be minutely observed.

- (iii) Verifying high account turnover inconsistent with the size of balance maintained may indicate that funds are being "washed" through account. Therefore, such accounts will be observed by principal officer personally by checking the background of customer such as country of origin, sources of funds and types of transactions involved and other risk facts.
- (iv) A periodical review of risk categorization of accounts will be carried out once in quarter during the Board Meetings.
- (v) A record of transactions will be maintained as required in terms of section 12 of PML Act 2002
- (vi) Transactions of suspicious nature (STR) or notified under section 12 of PML Act 2002 will be reported to Director Financial Intelligence Unit (FIU) of India, New Delhi.
- (vii) The Company and all its Branches / Offices while reporting the STR 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), Ministry of Finance in consultation with National Housing Bank dated 30th December, 2015. The Red Flag Indicators (RFI) / Parameters for, STR identification as specified in the subject guidance note being made part of this Policy as **Annexure II** for reporting of STRs.

Based on the internal guidelines framed which would also work as a Client Identification Programme, the Company would determine the true identity of its clients. The Company will maintain separate records of all cash transactions above Rs. 10.00 Lacs (whether deposits or withdrawal) and including all suspicious customers and transactions and report on fortnightly basis.

c) Maintenance and Preservation of Records

In terms of Section 12 of PMLA company will maintain records as under:

- records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules will be maintained for a period of five years from the date of transactions between the clients and the housing finance company.
- records of the identity of all clients of the housing finance company will be maintained for a period of five years from the date of cessation of business relationship or closure of account whichever is later, between the clients and the housing finance company.

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

d) Reporting of Transactions to Director, FIU-IND

In terms of Section 12 of PMLA company will report information of transaction referred to in clause (a) of sub-section (1) of section 12 read with Rule 3 of the PML Rules relating to cash and suspicious transactions etc. to the Director, Financial Intelligence Unit-India (FIU-IND). The proviso to the said section also provides that the Principal Officer will report information relating to cash and suspicious transactions if detected to the Director, Financial Intelligence Unit India (FIUIND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by NHB at the following address:

Director, FIU - IND,
Financial Intelligence Unit India,
6th Floor, Hotel Samrat,
Chanakyapuri
New Delhi 110021

A copy of information furnished shall be retained by the Principal Officer for the purposes of official record.

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

Note: FIU-IND does not accept NIL Cash/Suspicious Reports if no such transaction occurred during a particular period

Compliance of KYC Guidelines

a. 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.

b. 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.

c. Internal Control Systems:

Duties and responsibilities should be explicitly allocated among the staff for ensuring that policies and procedures are managed effectively and that there is full commitment and compliance to an effective KYC Programme in respect of both existing and prospective customers/clients.

d. Appointment of Designated Director

The Board of Directors of the Company shall nominate Managing Director or Whole Time Director of the Company as Designated Director for the purpose to ensure the overall compliance of obligations for maintenance of records and reporting of the transactions mentioned u/s 12 of the Act.

e. Appointment of Principal Officer

The Company will appoint a Senior Management Official/ Officer as Principal Officer. Principal Officer is located at our Registered / Corporate Office and will be responsible for monitoring and reporting all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies and other institution which are involved in the fight against money laundering and combating financing of terrorism.

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. The Company will prepare specific literature/ pamphlets, etc. so as to educate the customer about the objectives of the KYC programme. The front desk staff needs to be specially trained to handle such situations while dealing with customers

INTRODUCTION OF NEW TECHNOLOGIES

The Company will ensure that no money laundering threats arise from new developing technologies including online transactions that may favour anonymity and if needed take measures to prevent their use in money laundering schemes.

SECRECY AND SHARING OF INFORMATION

The Company shall maintain the secrecy regarding the customer information as such information arises out of contractual relationship between the lender (i.e. Company) and customer. However, in case the Company is required to share such information with Government and other agencies, the Company shall share the same after satisfying that it doesn't violate the confidentiality clause. Further, KYC information will be shared with Central KYC Records Registry.

PERIODIC UPDATION

Periodic KYC updation 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 procedure mentioned in **Annexure III**.

GENERAL

- The Company should ensure that the provisions of PML, Rules framed thereunder and the Foreign Contribution and Regulation Act, 2010 ("FCRA"), wherever applicable, are adhered to strictly. FCRA regulate the acceptance and utilization of foreign contribution or foreign hospitality received by certain specified persons or associations such as candidates for election, journalist, Judges/Government servants, political party, etc.
- 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 will consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.
- These guidelines are issued under the National Housing Bank Act and any contravention of or non-compliance with the same may attract penal consequences under the said Act.

CUSTOMER DUE DILIGENCE PROCEDURE: ANNEXURE- 1

General

- a) While undertaking CDD, The Company shall 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.
- b) 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 license agreements with such employers allotting official accommodation;

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 shall be accepted as proof of address.

The customer shall be required to be submit updated OVD with current address within a period of three months of submitting the above documents.

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

The Company shall give the customer an accessible notice and a reasonable opportunity of being heard before temporarily ceasing operations for an account.

- 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 shall be closed and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer.

The Company shall duly inform the customer about this provision while opening the account.

Officially Valid Documents (OVD) for Identity and Address Check (List A)

Documents	Identity Check	Signature Check	Address Check
Passport	Yes	Yes	Yes
PAN Card	Yes	Yes	No
Voter Id Card	Yes	No	Yes
Driving License	Yes	No	Yes
NREGA Job Card	Yes		
Aadhar Card/ Letter	Yes	No	Yes
ID card of Central/State Govt., PSU, PFIs, Commercial Banks etc.	Yes	No	Yes
Gazetted Officer Letter alongwith attested Photo	Yes	No	Yes

Additional Documents as Address Proof (List B)

Sr. No.	Documents
1.	Electric Bill (Not more than 2 months old)
2.	Telephone Bill (Not more than 2 months old)
3.	Post Paid Mobile Bill (Not more than 2 months old)
4.	Piped Gas Bill (Not more than 2 months old)
5.	Water Bill (Not more than 2 months old)
6.	Property or Municipal Tax Receipt
7.	Pension or Family Pension Payment Order
8.	Accommodation Allotment Letter from Employer issued by State/Central Govt Department, Statutory or Regulatory Bodies, PSUs, Scheduled Commercial Banks, Financial Institutions and listed Companies and Leave and License Agreements

Note: 1) Obtaining a certified copy by the Company shall 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.

2) The submission of Aadhaar by an individual as a KYC document in cases other than receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act, is not mandatory. However, the individual, if so desires, may provide the same out of his own volition. Customers, at their option, shall submit one of the OVDs.

3) Customer has to submit any one from additional documents as address proof, if OVD doesn't contain current address proof. Customer shall be required to submit updated OVD with current address within a period of three months of the submitting of above documents.

CDD Procedure: Individual Salaried Customers

FEATURES TO BE VERIFIED	DOCUMENTS (BRIEF LIST OF DOCUMENTS GIVEN BELOW)
Identity and Address Proof	<ul style="list-style-type: none">➤ Certified Copy of PAN Card/ Form 60➤ Certified Copy of any one Document from List A➤ Certified Copy of any one Document from List B (if OVD doesn't have current address)
Income Proof	<ul style="list-style-type: none">➤ Form 16 (Last 2 Years);➤ Last 2 Years ITRs along with computation, if available;➤ Last 1 Year Bank Statement for all Bank Accounts;

CDD Procedure: Sole Proprietary Firms

FEATURES TO BE VERIFIED	DOCUMENTS (BRIEF LIST OF DOCUMENTS GIVEN BELOW)
Identity and Address Proof	<ul style="list-style-type: none">➤ Certified Copy of PAN Card/ Form 60 of Individual Proprietor➤ Certified Copy of any one Document from List A of Individual Proprietor➤ Certified Copy of any one Document from List B of Individual Proprietor (if OVD doesn't have current address)

Business Proof (Any Two)	<ul style="list-style-type: none"> ➤ Registration Certificate; ➤ Certificate/Licence under Shop and Establishment Act; ➤ GST Certificate; ➤ Importer Exporter Code issued in the name of Proprietary Concern by DGFT ➤ Electric Bill (Not more than 2 months old) ➤ Water Bill (Not more than 2 months old) ➤ Landline Telephone Bill (Not more than 2 months old)
Income and Turnover Proof	<ul style="list-style-type: none"> ➤ Last 3 (Three) Years Complete Income Tax Returns in the name of Sole Proprietor where the firm's income is reflected, duly authenticated/acknowledged by the Income Tax Authorities; ➤ Last 1 (One) GST Return, if registered under GST; ➤ Last 3 (Three) Years Audit Report (if audit is applicable), Balance Sheet, Trading, Profit & Loss and Capital Account duly certified by Chartered Accountant; ➤ Last 1 (One) Year all Banks Account Statements (both Current and Savings);

Note: 1) If two documents of Business Proof are not available, then the Company at its discretion may accept only one of the documents as a proof of business/ activity subject to the contact point verification of the existence of the said business at the mentioned business address.

CDD Procedure: Legal Entities

FEATURES TO BE VERIFIED	DOCUMENTS (BRIEF LIST OF DOCUMENTS GIVEN BELOW)
ID, Address and Business Proof (One Certified Copy of each)	<ul style="list-style-type: none"> ➤ Certificate of Incorporation; ➤ Memorandum and Articles of Association; ➤ PAN Card; ➤ Board Resolution and Power of Attorney granted to its Managers, Officers or Employees to transact on its behalf; ➤ One copy of an OVD containing details of identity and address, one recent Photograph and PAN Card/ Form 60 of the managers, officers or employees as the case may be, holding an attorney to transact on its behalf;
Income and Turnover Proof	<ul style="list-style-type: none"> ➤ Last 3 (Three) Years Complete Income Tax Returns duly authenticated/acknowledged by the Income Tax Authorities; ➤ Last 1 (One) GST Return, if registered under GST; ➤ Last 3 (Three) Years Audit Reports and Financials; ➤ Last 1 (One) Year all current Bank Account Statements;

CDD Procedure: Partnership Firm

FEATURES TO BE VERIFIED	DOCUMENTS (BRIEF LIST OF DOCUMENTS GIVEN BELOW)
ID, Address and Business Proof (One Certified Copy of each)	<ul style="list-style-type: none"> ➤ Registration Certificate; ➤ Partnership Deed; ➤ PAN Card of Partnership Firm; ➤ Partner's Resolution (In case of Partnership Firm is Limited Liability Partnership registered under LLP Act) and Power of Attorney granted to its Managers, Officers or Employees to transact on its behalf; ➤ One copy of an OVD containing details of identity and address, one recent Photograph and PAN Card/ Form 60 of the managers, officers or employees as the case may be, holding an attorney to transact on its behalf; ➤ One copy of an OVD containing details of identity and address, one recent Photograph and PAN Card/ Form 60 of all the Partners; ➤ Proof of Place of Business/ Activity;
Income and Turnover Proof	<ul style="list-style-type: none"> ➤ Last 3 (Three) Years Complete Income Tax Returns duly authenticated/acknowledged by the Income Tax Authorities; ➤ Last 1 (One) GST Return, if registered under GST; ➤ Last 3 (Three) Years Audit Reports (if Audit is applicable) and Financials; ➤ Last 1 (One) Year all current Bank Account Statements;

CDD Procedure: Trust

FEATURES TO BE VERIFIED	DOCUMENTS (BRIEF LIST OF DOCUMENTS GIVEN BELOW)
ID, Address and Business Proof (One Certified Copy of each)	<ul style="list-style-type: none"> ➤ Registration Certificate; ➤ Trust Deed; ➤ PAN Card of Trust; ➤ Trust's Resolution and Power of Attorney granted to its Managers, Officers or Employees to transact on its behalf; ➤ One copy of an OVD containing details of identity and address, one recent Photograph and PAN Card/ Form 60 of the managers, officers or employees as the case may be, holding an attorney to transact on its behalf;
Income and Turnover Proof	<ul style="list-style-type: none"> ➤ Last 3 (Three) Years Complete Income Tax Returns duly authenticated/acknowledged by the Income Tax Authorities; ➤ Last 1 (One) GST Return, if registered under GST; ➤ Last 3 (Three) Years Audit Reports (if Audit is applicable) and Financials;

	<ul style="list-style-type: none"> ➤ applicable) and Financials; ➤ Last 1 (One) Year all current Bank Account Statements;
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CDD Procedure: Unincorporated Association or a Body of Individuals

FEATURES TO BE VERIFIED	DOCUMENTS (BRIEF LIST OF DOCUMENTS GIVEN BELOW)
ID, Address and Business Proof (One Certified Copy of each)	<ul style="list-style-type: none"> ➤ PAN Card of unincorporated association or body of individuals; ➤ Formation Documents (e.g. Partnership Deed etc.); ➤ Resolution of the managing body of such association or body of individuals; ➤ Power of Attorney granted to transact on its behalf ➤ One copy of an OVD containing details of identity and address, one recent Photograph and PAN Card/ Form 60 of the managers, officers or employees as the case may be, holding an attorney to transact on its behalf;
Income and Turnover Proof	<ul style="list-style-type: none"> ➤ Last 3 (Three) Years Complete Income Tax Returns duly authenticated/acknowledged by the Income Tax Authorities; ➤ Last 1 (One) GST Return, if registered under GST; ➤ Last 3 (Three) Years Audit Reports (if Audit is applicable) and Financials; ➤ Last 1 (One) Year all current Bank Account Statements;

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

CDD Measures: Identification of Beneficial Owner

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

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

CDD Measures: Enhanced Due Diligence Measures

Accounts of Politically Exposed Persons (PEPs):

- (i) The Company may establish a relationship with PEPs subject to the following:

- (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;
 - (c) the decision to open an account for PEP is taken at a senior level (VP & above) 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.
- (ii) These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

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 sensitise the respective HFCs of the RFIs and should 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 should 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 practises, 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	a. Submission of false Identification Documents. b. Customer holding multiple PAN. c. Identification documents which could not be verified within reasonable time or replaced with another set of Identification documents. d. Accounts opened with names very close to other reputed business entities. e. Customer uses aliases and a variety of

		<p>similar but different addresses.</p> <p>f. Customer spells his or her name differently from one transaction to another, without justification.</p> <p>g. Name of customer indicated differently in different KYC documents enabling creation of multiple customer identities.</p> <p>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. Doubt over the real beneficiary of the loan account</p> <p>i. The customer is reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons.</p> <p>j. 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.</p> <p>k. Changes in mailing address of the Customer more than [twice]* in last 6 months</p> <p>l. Unusual capital, partnership, management or employment structure of companies compared to other institutions in the same sector or general company structure.</p> <p>m. Current data not updated with relevant regulatory authorities, without justification.</p> <p>n. 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</p>
2.	Background of a customer	<p>a. The customer details matched with watch lists (e.g. UN list, Interpol list etc.)</p> <p>b. Notice/Letter from a law enforcement agencies / Regulators/ Other Government</p>

		<p>Agencies: In case of such notices received, Principal Officer should 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 should be included in the STR along with the details mentioned in the “Ground of Suspicion”.</p> <p>These Accounts are to be reported even if they are closed.</p> <p>c. Adverse Media / Public News: Branches / offices should 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> <p>d. Customer shows income from “foreign sources” on loan application without providing proper documentation.</p>
3.	Credit bureau Information	a. 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. No.	Sub- Category	Types
1.	Multiple Accounts	<p>a. Use of Bank A/c's of Third Parties for payment of EMIs at more than [*] occasions.</p> <p>b. Change in the bank account from which PDC/ ECS are issued more than [*] in last [6/12*] months</p> <p>c. Total amount of payments through DD, Cash and 3rd party Cheques valued at [*] EMIs / part payments in last 30 days</p> <p>d. Customer appears to have recently established a series of new relationships with different financial entities.</p>
2.	Nature of Activity in an Account	<p>a. Unusual activity compared with past transactions.</p> <p>b. Encashment of loan amount by opening</p>

		<p>a fictitious bank account.</p> <p>c. Activity inconsistent with what would be expected from declared business/profile of the customer.</p> <p>d. Part closure to the extent of [*] % or more of the loan amount in one or more occasions within 6 months.</p> <p>e. Loan Accounts with original tenor of more than 1 year are foreclosed within 6 months after disbursal of loan.</p> <p>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.</p> <p>g. Overpayment of instalments in cash with a request to refund the excess amount.</p> <p>h. Customer conducts transactions at different physical locations in an apparent attempt to avoid detection.</p> <p>i. Customer presents confusing details about the transaction or knows only few details about its purpose.</p> <p>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.</p> <p>k. Account indicated by customer to receive interest payment against a deposit placed is attached by Government Authorities</p>
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</p>

		<p>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> <p>i) Rs.50,000/- in a day</p> <p>ii) Rs.10,00,000/- in a month</p> <p>c. Value inconsistent with the client's apparent financial standing.</p> <p>d. Deposits made in cash amounting to Rs[*]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 beyond [twice]* the original EMI.

(*): to be decided by respective HFC at the Board level and should be a part of the KYC policy of the HFC duly approved by the Board.

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

Sr. 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 favour 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

Sr. 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 disbursal of loan.
2.	Frequently change in repayment bank account during currency of account	Change in the bank account from which PDC/ ECS are issued more than [*] in last [6/12] months
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. Notice/Letter from a law enforcement agencies / Regulators/ Other Government Agencies: In case of such notices received, Principal Officer should 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 should 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. Adverse Media / Public News: Branches / offices should 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 more than [twice]* in last 6 months

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 rd party Cheques valued at [*] EMI's / 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 beyond [twice]* the original EMI.
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 [*] % 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 EMI's at more than [*] occasions.

(*) : to be decided by respective HFC at the Board level and should be a part of the KYC policy of the HFC duly approved by the Board.

Part E : Additional List of RFIs pertaining to Builder/Project Loans:

- a) Builder approaching the HFC for a small loan compared to the total cost of the project-;
- b) Builder is unable to explain the sources of funding for the project;
- c) Approvals/sanctions from various authorities are proved to be fake;
- d) Builder retains substantial number of the Units in the Project in his or his family members names
- e) Builder has known political connections / shareholders or directors of his company are individuals with suspicious background
- f) Frequent Reconstitution of partnership/ proprietorship without justification.
- g) Allotting different numbers to the same flat in different style/order.

**SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING LOANS (ILLUSTRATIVE LIST)
ANNEXURE IIA**

- 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 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;
- 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.

SUSPICIOUS TRANSACTIONS PRETAINING TO BUILDER/PROJECT LOANS (ILLUSTRATIVE LIST) ANNEXURE IIB

- 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.

PROCEDURE FOR PERIOD UPDATION

- 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 will be obtained.
 - (iv) Certified copy of OVD containing identity and address shall 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 self-certification to that effect shall 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) Physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication will not be mandatory 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) HFCs 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.