

AADHAR HOUSING FINANCE LIMITED
(FORMERLY KNOWN AS DHFL VYSYA HOUSING FINANCE
LIMITED)

KNOW YOUR CUSTOMER
[KYC] &
ANTI MONEY LAUNDERING POLICY

(Revision Effective from April, 2018)

(Version – IV)

**Aadhar Housing Finance Limited
(Formerly known as DHFL Vysya Housing Finance Limited)**

**KNOW YOUR CUSTOMER [KYC] &
ANTI MONEY LAUNDERING (AML) POLICY – (REVISED)**

1. Introduction

Pursuant to the notification issued by the National Housing Bank on Fair Practices Code guidelines vide its notifications/Circular No. NHB (ND)/DRS/Pol-No.13/2006 dated 10th April, 2006 and as part of the best corporate practices in line with the amendment in the guidelines issued by the National Housing Bank vide its Circular No.NHB/ND/DRS/Pol. No. 33/2010 -11 dated 11th October, 2010 and further amendments from time to time, Aadhar Housing Finance Private Limited (AHFL) has adopted “*Know Your Customer:” [KYC] & Anti Money Laundering Policy*” guidelines originally by the Board of Directors of the Company in its Board Meeting and revised from time to time & it was last revised in the Board Meeting held in April, 2017 and this Policy shall have immediate effect to know/understand their customers and their financial dealings better which in turn would help them manage their risks prudently and prevent the HFC from being used, intentionally or unintentionally, by criminal elements for money laundering activities.

As per NHB guidelines on KYC policy Aadhar Housing Finance Private Limited [AHFL] is required to have its KYC policy for its lending / credit operations / financial dealings in line with extant guidelines framed therein. This KYC policy is also framed keeping in mind the same. The policy has the following four key elements:

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

2. POLICY FUNDAMENTALS

Definition of customer

A Customer is:

A person or entity that maintains an account and/or has a business relationship with the AHFL (home loan borrowers and depositors); One on whose behalf the account is maintained (i.e. the beneficial owner); beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law, and Any person or entity connected with a financial transaction which can pose significant reputational or other risks to AHFL, say, a wire transfer or issue of a high value demand draft as a single transaction.

KYC guidelines will also be applicable to associates/agencies/intermediaries associated with AHFL as follows:

- (i) Empanelled lawyers,
- (ii) Empanelled valuers
- (iii) FI agencies
- (iv) Builder
- (v) Seller of property being financed by AHFL
- (vi) Direct Selling Agents/Direct selling team
- (vii) Any other intermediary

The Company will collect legal name and entity/Identity proof, permanent address proof as per annexure I for various types of associates/agencies/intermediaries captioned above.

In the formulation of this policy, as suggested by NHB's KYC guidelines, it is kept in consideration that adoption of customer acceptance policy and its implementation should not become too restrictive and must not result in denial of housing finance services to general public, especially to those, who are financially or socially disadvantaged.

3 Customer Acceptance Policy (CAP)

The Customer Acceptance Policy must ensure that explicit guideline are in place on the following aspects of customer relationship in AHFL:-

- (i) No account is opened in anonymous or fictitious/benami name(s);
- (ii) Risk in terms of the location of customer and his clients and mode of payments are duly checked;
 - volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk
 - customers requiring very high level of monitoring, e.g. Politically Exposed Persons will be given due consideration
- (iii) Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the Prevention 3 of Money Laundering Act, 2002 (PML Act 2002), rules framed thereunder and guidelines issued from time to time and NHB regulations in this regard.
- (iv) Not to open an account or close an existing account where the AHFL is unable to apply appropriate customer due diligence measures, i.e. AHFL is unable to verify the identify and /or obtain documents required as per the risk categorization due to non co-operation of the customer or non reliability of the data/information furnished to AHFL. It may, however, be necessary to

have suitable built-in safeguards to avoid harassment of the customer. For example, decision to close an account may be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision;

- (v) Permanent Address proof from new applicants will be collected. The documents which can be accepted as proof of address are mentioned in Annexure- I.
 - (vi) For existing customers who wish to pre-close their loan account with AHFL following will be collected :
 - (a) Permanent Address proof (As per Annexure I)
 - (b) A declaration from the customer regarding source of funds being used for pre-closure of the loan account, if paid by cash over and above the limits specified in this Policy.
 - (c) Closure of the loan account authority will be restricted to authorized person at the branch.
 - (v) In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
 - (a) if applicant is NRI/PIO
 - (b) if applicant is a limited company.
 - (c) if applicant is a partnership firm
 - (vi) Any other circumstance where it is not possible for the applicant to be present at the branch location physically available. Necessary checks before any loan disbursement will be carried out so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.
- 4** The AHFL will prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy and as per credit & risk policy and operations manual. The customer profile will contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant (by the sales representative) apart from collection of applicable documents; this will be as per the Company's credit and product norms which are incorporated in the operation manual and are in practice. However, while preparing customer profile, the Company will seek only such information from the customer which is relevant to the risk category and is not intrusive and is in conformity with the guidelines issued in this regard.

The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes against monetary consideration. In accordance with the Fair Practice Code of AHFL, if the customer provides express consent for sharing his/her KYC information, the company may share such information to AHFL's group /associates companies, for the purpose of offering any other financial products and services for the benefit of the customer(s).

The Company will continue to share customers' data with Credit Bureaus and empanelled FI agencies and such other organizations/entities subject to confidentiality clause, since the purpose of sharing this information is to ensure risk minimization as per NHB Regulations.

As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories:-

- (i) **Low risk customers** for the purpose of this policy 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 could be :
 - (a) Salaried applicants with salary paid by cheque.
 - (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 working with Private limited companies.
 - (c) Self Employed professionals other than HNIs.
 - (d) Self Employed customers with sound business and profitable track record for a reasonable period.
 - (e) High Net worth Individuals (HNIs) with occupational track record of more than 3 years as per Credit Policy.

- (iii) **High risk customers** that are likely to pose a higher than average risk to us may be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per Company's credit risk policy and guidelines of operations manual. Examples of high risk customers requiring higher due diligence may include:

- (a) Non-resident customers,
- (b) High net worth individuals (HNIs), without an occupational track record of more than 3 years (as defined under Credit Policy)
- (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) of foreign origin,
- (g) Non-face to face customers
- (h) Those with dubious reputation as per available public information, etc.

The Company's exposure to any of the clients is subject to the credit risk policy and operations manual of the company. However, for customer acceptance, KYC is a prerequisite for a credit risk grading.

- 5 As per KYC policy, for acceptance and identification, customers in the segment financed by the company are categorized broadly into different categories as per the Master Policy on Credit, Technical & Legal Processes.

The Company's exposure to any of the clients is subject to the Risk Management Policy of the company. However, for customer acceptance, KYC documents are taken as a prerequisite for a credit risk grading.

6 Customer Identification Procedure (CIP)

Rule 9 of the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and Manner of Maintaining and Time for Furnishing information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter referred to as PML Rules), requires :

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

In terms of proviso to rule 9 of the PML Rules, the relaxation, in verifying the identity of the client within a reasonable time after opening the account/ execution of the transaction, stands withdrawn.

As per Rule 9, AHFL shall also identify the beneficial owner and take all reasonable steps to verify his identity. The said Rule also require HFCs to exercise ongoing due diligence with respect to the business relationship with

every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile. Therefore, the Customer Identification Policy approved by the Board of AHFL should clearly spell out the Identification Procedure to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when the HFC has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

Customer identification means identifying the customer and verifying his/ her 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 number, Passport etc.as mentioned in Annexure to the policy, 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.

It will be ensured that due diligence is observed based on the risk profile of the customer in compliance with the extant guidelines in place and the same will be available for verification. Besides risk perception, the nature of information/ documents required will also depend on the type of customer (individual, corporate etc). For customers that are natural persons, The Company has to obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. The Company collects identity proof, bank account details and property documents and AHFL has empanelled FI agencies who independently verify the applicant's occupation, residence and documents as applicable.

For customers that are legal persons or entities, the Company will:

- (i) verify the legal status of the legal person/ entity through proper and relevant documents.
- (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person and

For (i) & (ii) Memorandum of Association and/or board resolution will be collected to ensure that the person purporting to act on behalf of the legal person/entity is authorized to do so, apart from applicable field/document investigations. In case of partnership firm, a copy of partnership deed along with the registration certificate of the firm, if registered and power of attorney in favour of the person purporting to act on behalf of the firm shall be collected

- (iii) Understand the ownership and control structure of the customer and determine who are the natural persons ultimately controlling the legal person. For this The Company will collect Shareholding letter duly certified by the Company Secretary/company's Auditor/Chartered accountant and Necessary Resolution / authorization etc.

- (iv) As per the NHB Circular dated 23rd April, 2015, the company is ready to accept e-KYC services as a valid process for KYC verification under the PML Rules, 2015. Further, the information containing demographic details and photographs made available by UIADI under the e-KYC process can be treated as a officially valid document for KYC document for a customer. In addition of physical copy of Aadhar card/letter, the company will also accept e-Aadhar downloaded from the web site of UIADI as a officially valid KYC document, subject to certain conditions.
- (v) As per NHB Circular dated, 8th December, 2017, Company may provide an option to the Customers for e-KYC through Aadhaar based One Time Pin (OTP).
Accounts opened in terms of this proviso i.e., using Aadhaar based OTP, are subject to the following conditions:
- (a) Explicit consent from the customer for authentication through OTP;
 - (b) The aggregate amount of all the deposit accounts taken together for a customer shall not exceed rupees one lakh;
 - (c) As regards to borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees fifty thousand in a year;
 - (d) The payment of deposits in terms of accounts opened on-line through OTP based e-KYC, shall be accepted only through internet banking/ECS from a designated bank account of the customer;
 - (e) All payments in respect of such deposits should be made only to the designated bank account through which funds are deposited;
 - (f) A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC either with the same entity or with any other HFC. Further, while uploading KYC information to CKYCR, the Company shall clearly indicate that such accounts are opened using OTP based e-KYC pending 'Customer Due Diligence' (CDD) and other HFCs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure until the CDD have been completed.
 - (g) Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than three months within which CDD is to be completed. If the CDD procedure is not completed within three months in respect of deposit accounts, the same shall be closed immediately by refunding the deposit amount without interest into depositor's designated bank account. In respect of borrowal accounts no further debits shall be allowed;

- (h) AHFL may have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

Further, as per the existing procedure stipulated for AHFL's, biometric authentication for e-KYC verification may be performed at the branches/offices of AHFL. However, to ease out the said process, KYC verification, through Aadhaar based biometric authentication, may be performed by the Authorised Person of the AHFL and may be accepted as a valid process for KYC verification subject to the following conditions.

- Explicit consent of the customer to release his/her identity/address to the Company;
- Payment shall be accepted only through Account Payee cheque drawn in favour of "Aadhar Housing Finance Limited";
- The cheque shall be drawn only from a designated bank account of the customer; and
- All payments in respect of such deposits should be made only to the designated bank account through which funds are deposited.

Note:

(i) "Officially valid document" (OVD) means 'OVD' as defined under the Rule 2(l)(d) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

(ii) "Customer Due Diligence" (CDD) means 'Client Due Diligence' as defined under Rule 9 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

AHFL may display the aforesaid conditions clearly for fair and transparent public disclosure.

As per this NHB Circular, the ultimate responsibility for customer due diligence in all the cases rest with AHFL and accordingly AHFL is expected to have in place adequate systems and procedures to avoid any violations of the KYC framework, both in letter and spirit.

1. **Customer identification requirements in respect of a few typical cases,** especially, legal persons requiring an extra element of caution are given below:

(a) Trust Nominee or Fiduciary Accounts :

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Hence, as and when such cases are received, the AHFL will determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the AHFL may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose

behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. While opening an account for a trust, AHFL should take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/directors and the beneficiaries, if defined. If the AHFL decides to accept such accounts in terms of the Customer Acceptance Policy, the AHFL should take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

(b) Accounts of companies and firms

The Company will be vigilant while processing the cases of business entities especially to establish that individuals are not using those entities for maintaining accounts with it. AHFL should verify the legal status of the legal person/ entity through proper and relevant documents. AHFL should verify that any person purporting to act on behalf of the legal/ juridical person/entity is so authorized and identify and verify the identity of that person. The Company shall seek information, if required, on the control structure of the entity, source of funds and the natural persons who carry a controlling interest in the management. These requirements may be moderated as per the credit risk policy and guidelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.

(c) Client accounts opened by professional intermediaries

When the Company has knowledge or reason to believe that the client account opened by a professional intermediary like Direct Selling Agent or Direct selling team or any other sales intermediary by whatever name called is on behalf of a single client, that client will be identified. The Company may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where the Company relies on the 'customer due diligence' (CDD) done by an intermediary like Field investigation agency or technical agency or lawyer or any other operation processing intermediary by whatever name called, the Company will ensure that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements and having a bonafide identity with an established track record. It should be understood that the ultimate responsibility for knowing the customer lies with the AHFL.

(d) Accounts of Politically Exposed Persons (PEPs) resident outside India

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The Company will gather sufficient information as available on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. The Company will verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP should be taken at a senior level which should be clearly spelt out in Customer Acceptance Policy. The Company should also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs

(e) Accounts of non-face-to face customers:

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, the Company will ensure specific and adequate procedures to mitigate the higher risk involved including telephonic/personal discussion with the applicant, if necessary. Applicant will be met by the Sales representative of the Company and will fill up the meeting sheet on that basis to mitigate the higher risk involved, as applicable. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for and applicable verification of these documents will be done. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company may have to rely on third party certification/introduction. In such cases, it will be ensured that generally the third party is a regulated and/or supervised entity with an established track record. Hence apart from the existing due diligence for such customers The Company may take resident Indian Co-applicant as a party to the loan proposal or a local resident guarantor to the loan with identity verification.

An indicative list of the nature and type of documents that may be relied upon for customer identification is given in the **Annexure I**.

7. Monitoring of Transactions

- (a) Ongoing monitoring is an essential element of effective KYC procedures. Since the Company is a housing finance company and all the loans are tenure based with a fixed/variable installment paid through electronic clearing system (ECS) mandate or post-dated cheques for monitoring structure will be relevant to the

nature of operations. The Company will pay special attention to all unusually large transactions involving large cash and the Company will monitor cash transaction above *Rupees Ten lacs*.

- (b) Risk categorization as is mentioned in this policy may be updated as and when required by the management. In case of overdue/default accounts where there is scope for meeting or vetting the profile of this customer again, due diligence if found necessary will be carried out. Subsequent to the sanction, during the period of part disbursement till full disbursement if any unusual transaction/development comes in the knowledge relating to money laundering the same will be verified and notified as required, The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company will ensure that transactions of suspicious nature as defined in Annexure II and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority, as and when detected by the officials through the Principal Officer.
- (c) The Company will maintain proper record in accordance with the PML Act, 2002, of all cash transactions (deposits and withdrawals) of Rupees Ten Lakh and above. As a matter of policy, the Company does not accept *deposits in cash over Rupees Ten Lakh*, No loan is disbursed in cash and No monthly installment above *Rupees Ten Lakh* is accepted in cash. Any transactions of suspicious nature as per Annexure II are to be reported to the Principal Officer immediately. In addition thereto, the Branches shall on quarterly basis furnish a certificate/mail confirmation to the Principal Officer evidencing that neither such prohibited transactions and/nor cash transaction as specified in the policy have taken place.

Risk Management

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

(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. The

Company should ensure that their audit machinery is staffed adequately with individuals who are well-versed in such policies and procedures. Internal/Concurrent Auditors may specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board along with their normal reporting frequency. A compliance conformation from Branch will be obtained by the Principal Officer.

(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) Customer Education :

Implementation of KYC procedures requires the Company to demand certain information from customers which may be of personal nature or which have hitherto never been called for. The Company will educate the customer on the objectives of the KYC program so that the customer understands and appreciates the **objective**/motive and purpose of collecting such information. The front desk staff needs to be specially trained to handle such situations while dealing with customers.

(d) Introduction of New Technologies

The Company should pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

(e) KYC for the Existing/new Accounts:

The Company will apply the KYC norms to the existing customers of loan accounts on the basis of materiality and risk envisaged by it for those existing loan accounts. For deposits the guideline is already in place as advised by NHB, vide their circular NHB (ND)/DRS/Pol-No.02/2004-05 dated August 25, 2004 & as amended from time to time. The Company will ensure that term/recurring deposit accounts or accounts of similar nature are treated as new accounts at the time of renewal and are subject to revised KYC procedures.

(f) Non-Cooperation by the customer in respect of KYC norms:

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 follow up with the existing identified customers for KYC compliance, Closure decision if at all is required will depend upon the internal assessment and it will be taken at a Senior Manager at Regional Office/HO, after issuing due notice to the customer explaining the reasons for taking such a decision.

(g) Applicability to branches and subsidiaries outside India

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

(h) Appointment of Principal Officer :

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

(i) Maintenance of Records of Transactions (As per Section 12 of the PML Act read with Rule 3 of the Prevention of Money Laundering Rules 2005) :

The Company will monitor & maintain proper record of the under mentioned transactions:

- (i) All cash transactions of the value of more than rupees one million or its equivalent in foreign currency,
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month.
- (iii) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; any such transactions
- (iv) All suspicious transactions as mentioned in Annexure II

(J) Information to be preserved :

The Company will maintain the following information in respect of transactions referred to in the preceding point on “Maintenance of records of transactions”

- (a) The nature of the transactions
 - (b) The amount of transactions and currency in which it was denominated
 - (c) The date on which the transaction was conducted and
 - (d) Parties to the transactions
- (k) The Company sanctions and disburses files on the system; hence it has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required. However the Company will maintain account information for at least ten years from the date of cessation of transaction between the company and the client, all necessary records of transactions, both domestic or international, which will make available individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

The Company will ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. Apart from this, the application form, copy of loan agreement, NOC, other document either photocopy or cancelled original copy will be kept for next ten years after the full closure of the account. However, preservation and maintenance of the documents will be in paper form or a soft copy.

The identification of records and transaction data will be made available to the competent authorities upon request only through the principal officer under this policy with his approval.

(l) Reporting to Financial Intelligence Unit – India

The Principal officer will report information relating to cash and suspicious transactions, if detected & reported by Branches to the Director, Financial Intelligence Unit-India (FIU-IND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by NHB at the following address or through the web site of FIU-IND as per the notification:

Director, FIU-IND,
Financial Intelligence Unit-India,
6 th 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.

(a) The information in respect of the transactions referred to in clause(A), (B) and (BA) of sub-rule (1) of rule 3 of the PML Rules (i.e. clauses (i) , (ii) and (iii) referred to in Paragraph 19 supra) is to be submitted to the Director every month by the 15th day of the succeeding month.

(b) The information in respect of the transactions referred to in clause(C) of sub-rule (1) of rule 3 of the PML Rules (i.e. clause(iv) in Paragraph 19 supra) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

(c) The information in respect of the transactions referred to in clause(D) of sub-rule (1) of rule 3 of the PML Rules (i.e. clause(v) in Paragraph 19 supra) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.

Provided the company and its employees maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

As per the NHB Guidelines on KYC & AML, the Company need not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period. HFCs are advised to take note and act accordingly.

8 Miscellaneous

Compliance under Foreign Contribution (Regulation) Act, 1976

The Company shall also ensure that provisions of the Foreign Contribution (Regulation) Act (FCRA), 1976 are duly adhered to. 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.

However, law permits certain persons or associations to accept the foreign contribution with the approval of the Central Government, as per the provisions of FCRA. In those cases, copy of approval or letter of intimation shall be taken from the customer.

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

Annexure I

CUSTOMER IDENTIFICATION PROCEDURE FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

Features	Documents (As per Master Policy updated from time to time)
<p>Individuals Legal name and any other names used</p>	<p>(i) Valid Passport (ii) Pan Card (iii) Voter's Identity Card, (iv) Driving License (v) Identity Card issued by Govt. authority/ Municipal Corporation / recognized Govt. official /public authority (subject to the Company's satisfaction, (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company (vii) Aadhaar UID (vii) Notarized affidavit with photograph duly attested may be accepted for applicant / co-applicant whose income is not considered for loan. (viii) E-KYC Documents</p>
<p>Correct permanent address</p>	<p>(i) Telephone bill (ii) Bank Account Statement (iii) Letter from any recognized public authority. (iv) Electricity bill (v) Ration Card (vi) Letter from employer (subject to the satisfaction of the Company. (vii) Aadhaar UID (viii) Copy of registered Agreement / Sale Deed (ix) A person not having an address proof in his/her own name may provide an address proof (as accepted by the Company) of any close relative (eg. Spouse, son, daughter, parents, brother, sister) supported by a document establishing their relationship (such as Pan Card, Passport, Birth Certificate, driving License, voter's card, Aadhar UID, Ration card, marriage certificate) supported with a Notarized declaration that the said customer is residing with the relative whose address proof is being provided to the Company.</p>
<p>Companies - Name of the company - Principal place of business</p>	<p>(i) Certificate of Incorporation and Memorandum & Articles of Association. (ii) Certificate of Commencement of Business (in case of Public Limited Company), if applicable (iii) Resolution of the Board of Directors to open</p>

<ul style="list-style-type: none"> - Mailing address of the company - Telephone/Fax Number 	<p>an account and identification of those who have authority to operate the account.</p> <ul style="list-style-type: none"> (iv) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (v) Copy of PAN allotment letter (vi) Copy of the telephone bill
<p>Partnership Firms/Limited Liability Partnership (LLP)</p> <ul style="list-style-type: none"> - Legal name - Address - Names of all partners and their addresses- -Telephone numbers of the firm and partners 	<ul style="list-style-type: none"> (i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners
<p>Trusts & Foundations</p> <ul style="list-style-type: none"> - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries Telephone/fax numbers 	<ul style="list-style-type: none"> (i) Certificate of registration, if registered, (ii) Trust deed, (iii) Power of Attorney granted to transact business on its behalf (iv) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses (v) Resolution of the managing body of the foundation/association (vi) Telephone bill
<p>Unincorporated association or a body of individuals</p>	<ul style="list-style-type: none"> (i) resolution of the managing body of such association or body of individuals (ii) power of attorney granted to him to transact on its behalf (iii) an officially valid document in respect of the person holding an attorney to transact on its behalf (iv) and such other information as may be required by HFC to collectively establish the legal existence of such as association or body of individuals.
<p>NRI (Non – Resident Indian)</p>	<p>Apart from the documents applicable for Legal name and any other documents for Individuals as above, attested copy of such documents required as per Credit Policy to be taken.</p>

Note:- Any other KYC documents may be collected as per Credit Policy.

*‘Officially valid document’ is defined to mean the passport, the driving license, the permanent account number card, the Voter’s Identity Card issued by the Election Commission of India or any other document as may be required by the AHFL .

Annexure II

ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING LOANS:

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

Annexure III

**ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO
BUILDER/PROJECT LOANS:**

- a. Builder approaching the AHFL 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;

MANUAL REPORTING FORMATS (As prescribed by NHB)

- 1. MCTR (Manual Cash Transaction Report) for HFCs- Annex-3
- 2. MCTR(IDS)-Annexure-A (Manual Cash Transaction Report- Individual detail sheet for HFCs)- Annex-4
- 3. MCTR(LP/Entity-Details)-Annexure-B (Manual Cash Transaction Report- Legal Person/Entity detail sheet for HFCs)- Annex-5
- 4. MCTR(S) Summary of Manual Cash Transaction Reports for HFCs- Annex-6
- 5. MSTR (Manual Suspicious Transactions Report) for HFCs- Annex-7
- 6. MSTR(IDS)-Annex-A (Manual Suspicious Transactions Report- Individual detail sheet)-Annex-8
- 7. MSTR(LP/Entity-Details)-Annexure-B (Manual Suspicious Transaction Report-Legal persons/Entity)- Annex-9
- 8. MSTR(ADS)-Annexure-C (Manual Suspicious Transaction Report-Account Details Sheet)-Annex-10
- 9. Illustrative (but not exhaustive) list of suspicious transactions in housing/builder/project loans