

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

### **I. Introduction**

Swagat Housing Finance Company Limited (SHFC) has been incorporated with an intent to be an enabler in providing credit access to first time home buyers in EWS/LIG/MIG segment and aims to contribute meaningfully towards Government of India's mission "Housing for All". With underlying philosophy of changing the status quo in the society, the Company intends to work on philosophy of giving back to the society in a way and fashion that cause a sustainable change for the larger good of Indian populace without any discrimination religion, creed, caste, color or gender. The Company aims to undertake those initiatives which would bring about positive irreversible change for the betterment of the society and would help the beneficiaries quantitatively and qualitatively in their lives.

### **II. Preface**

This policy of the Company is based on the prevailing guidelines and various circulars issued by National Housing Bank (NHB), which shall enable the Company to know/understand its customers and their financial dealings better which in turn will help it to carry out its lending / credit operations and manage its risks, prudently and prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering activities.

### **III. Objective of KYC Guidelines**

The main objective of framing KYC guidelines is to avoid SHFC being used by criminal elements of the society for money laundering purposes, intentionally or unintentionally. The guidelines framed under this policy would help the Company in knowing the customer in a better manner. This will help the Company in assessing and managing the risks related to its customers in a better manner

The policy covers the below mentioned areas

- A. Customer Acceptance Policy (CAP)
- B. Customer Identification Procedures (CIP)
- C. Monitoring of Transactions and
- D. Risk Management

### **IV. Defining a Customer**

In reference to the KYC policy, a customer for SHFC is defined as

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

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

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

The Company's CAP mandates verification of identity of the customer and also his/her address by using information which is reliable and is independent. The Company would have reliance on Officially Valid Documents as defined under PMLA Act, 2002 and/or as defined by NHB and RBI or documents mentioned under "simplified measures" or on e-KYC allowed by UIDAI. The Company would make sure that the Customer Acceptance Policy in no way cause any harassment or hassle to the customer, especially the ones who are not financially included in the mainstream. As per the CAP, SHFC would ensure the following

- A. No account is opened in anonymous or fictitious/benami name(s);
- B. Risk in terms of the location of customer and his clients and mode of payments are duly checked;
- C. Volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk
- D. Customers requiring very high level of monitoring, e.g. Politically Exposed Persons will be given due consideration
- E. Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the PML Act, 2002 and NHB regulations in this regard.
- F. Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures, i.e. the Company is unable to verify the identify and /or obtain documents required as per the risk categorization due to non-co-operation of the customer or non-reliability of the data/information furnished to the Company.
- G. Permanent Address proof from new applicants will be collected. The documents which can be accepted as proof of address are mentioned in Annexure I
- H. For existing customers who wish to foreclose their loan account with SHFC 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 foreclosure of the loan account.
  - c. Closure of the loan account authority will be restricted to authorized person at the branch.
- I. 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:

1. if applicant is NRI/PIO
  2. if applicant is a limited company.
  3. if applicant is a partnership firm
- J. Any other circumstance, where it is not possible for the applicant to be present at the branch location physically, necessary checks before any loan disbursement will be carried out through FI agency so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

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

CIP enlists the means to identify the customer through reliable and independent documents / information while establishing a relationship with him/her. SHFC would procure all relevant documents to establish the identity of the customer including age, place of residence, signature etc.

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 number, Passport etc. necessary to establish, to our 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 the company has empanelled FI agencies who independently verify the applicant's occupation, residence and documents as applicable.

#### A. **For customers that are legal persons or entities, the Company will:**

1. Verify the legal status of the legal person/ entity through proper and relevant documents.
2. 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
3. For (i) & (ii) Memorandum of Association and 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 favor of the person purporting to act on behalf of the firm shall be collected. In order to authenticate the identity of the person so purporting to represent the Company / Firm, Signature verification / attestation shall be done either from the Banker or copy of passport, driving license or pan card to be taken.

4. Understand the ownership and control structure of the customer and determine as to who are the natural persons who ultimately control 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.
- B. Due Diligence for High Risk Customer identification will be as follows:
1. Non-resident customers, due diligence including email verification of employment of the customer, collection of a local guarantor & power of attorney along with their identification proofs and verification of their residence/office will be done, if found necessary.
  2. High net worth individuals, with less than three years' occupational track record due diligence including personal discussion with the applicant, analysis of bank statement and financial statements will be done, details of client profile, sources of fund will be obtained, if required.
  3. Trusts, charities, NGOs and organizations receiving donations, to be undertaken as high-risk categories.
  4. Companies having close family shareholding or beneficial ownership, due diligence including personal discussion with the applicant will be done. In case of company's proportionate income being considered to the extent of the customer's Shareholding in the company- board resolution authorizing the director(s) to sign on behalf of the company will be collected. Also signature verification of the person(s) issuing the board resolution will be collected, if necessary.
  5. Firms with 'sleeping partners', due diligence including personal discussion with the applicant will be done. If income of the partnership firm is being considered, then The Company will collect a letter signed by all the partners authorizing the concerned partner(s) to sign on behalf of the partnership to be continued. Also signature verification of the person(s) issuing this authority letter will be collected, if necessary.
  6. Politically exposed persons (PEPs) of foreign origin, same due diligence as NRI/PIO to be undertaken, though the Company is not doing cases of applicants of foreign origin. Only cases of applicants of Indian Origin working abroad are done.
  7. Non-face to face customers, due diligence including telephonic/personal discussions be done, if required. Information from reliable sources will be obtained for establishing the existence of the person.
  8. Those with dubious reputation as per public information available, etc. If found dubious then the case will not be entertained.
- C. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given below:
1. 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

Company will determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. In the case of a 'foundation', steps will be taken to verify the founder managers/directors and the beneficiaries, if defined.

2. Accounts of companies and firms: The Company will be careful while processing the cases of business entities especially to establish that individuals are not using those entities for maintaining accounts with it. 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 our credit risk policy and gkycelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.
3. 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. 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 having a bonafide identity with an established track record.
4. 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 above norms may also be applied to the accounts of the family members or close relatives of PEPs
5. 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 do 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.

### VII. **Monitoring of Transactions**

Continuous monitoring of transactions is a key part of KYC and AML policy. SHFC disburses long term finance to EWS/LIG/MIG households towards first time home purchase with maximum loan size of Rs.50 lakhs. The repayment of the instalments by the customer is done either through Cheque, demand draft, NACH, online payment or direct debit. Also, SHFC is not authorized to accept public deposits. Hence, the incidence of cash is negligible or quite low. Despite, this being the case SHFC would continue to monitor cash transactions as per NHB / PMLA guidelines.

SHFC undertakes the activity of categorization of the customers as per the risk emanating from dealing with them. The same is reviewed on annual basis by Risk Management Committee. The Company stores and maintains a record of the transactions with the customer as required in terms of section 12 of the PML Act. The Company will ensure that transactions of suspicious nature as given below and/or any other type of transaction notified under section of the PML Act, is reported to the appropriate law enforcement authority, as and when detected by our officials through the Principal Officer within the specified time, please refer Annexure II for list of suspicious transactions pertaining to the Housing Loans.

The Company and all its Branches / Offices while reporting the Suspicious Transactions (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 for reporting of STRs. Please refer Annexure III related to the RFI.

### VIII. Risk Management

SHFC has put in place an effective KYC program through well-defined procedures and guidelines. The management oversees its implementation. The program covers management oversight, review of systems and controls in place, defining and segregation of duties of the staff involved and continuous refresher through training and L&D initiatives. Give the target customer segment of the Company, the customers would be of low risk profile at the time of onboarding. However, over a period of time the risk associated with the customer might be upgraded to medium or even high which requires constant monitoring and application of AML measures considering the risk involved in transactions during the loan life cycle. The sales and processing staff of the Company and related authorized personnel have been strictly advised to ensure that no loan applications to be considered or processed without adherence to KYC guidelines and procedures. The Company's audit committee would evaluate and ensure the adherence to KYC guidelines on an overall level and also compliance to legal and regulatory guidelines wherever applicable. The Chief Risk Officer (CRO) along with audit and compliance team of the Company report jointly to the MD& CEO and to the Board. They would furnish compliance report and the effectiveness of KYC/AML measures in business operations to the Audit committee on quarterly basis or as may required from time to time. The Company would provide comprehensive training program to the related staff (Sales, credit, operations, audit) and authorized personnel about KYC and AML measures to be taken through various modes of L&D.

#### 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 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. Risk Categorization

##### 1. Low Risk Category

- i. Salaried employees whose salary structure is well-defined fixed salary received through bank credit;



- ii. People working with government owned companies, regulators and statutory bodies, MNCs, rated companies, PSUs, public limited companies, etc.

### 2. Medium Risk Category

- i. Salaried applicant with variable income/ unstructured income receiving, salary in cheque;
- ii. Salaried applicant working with private limited companies (excluding those part of any large group companies / MNCs), proprietary, partnership firms; Self-employed Customers with sound business and profitable track record for more than 3 years; Companies having close family shareholding or beneficial ownership with group track record of more than 5 years.

### 3. High Risk Category

- i. Non – Resident Indian (NRI) Customers;
- ii. Persons who have applied for loan amount more than 25 Lacs or more.
- iii. Self-employed Customers with sound business and profitable track record for less than 3 years
- iv. Trust, charitable organizations, NonGovernment Organization (NGO) and organizations receiving donations;
- v. Companies having close family shareholding or beneficial ownership with group track record of less than 5 years;
- vi. Firms with sleeping partners;
- vii. Politically Exposed Persons (PEPs) of Indian/ foreign origin;
- viii. Person with dubious reputation as per public information available;
- ix. Persons without any contact number and details;
- x. Person with criminal background;
- xi. Persons engaged in the business of real estate, including builders and developers.
- xii. Non Face To Face Customers

In the event of an existing Customer or the Beneficial Owner of an existing account subsequently becoming a PEP, the Company will obtain the approval of Chief Financial Officer and Executive Director to continue the business relationship with such person, and undertake enhanced monitoring, in terms of this Policy.

### D. Customer Education

The SHFC staff and authorized personnel dealing with customers would have the prime responsibility of educating the customer about the importance of compliance with KYC and AML guidelines. They would ensure that the customer is given all necessary information about the KYC and AML guidelines and the



need to collect relevant documents from the customer as a part of the overall loan process. The Company would also ensure that this information is disseminated to the customers and other related stakeholders through appropriate channels of communication so that there is an increased awareness of the same

### E. Usage of E-KYC and Bank Account Integration

SHFC intends to use E-KYC process as introduced by UIDAI in order to have a simple, effective, paperless and hassle-free process to establish identity of the customer, **usage of the same is subject to any future notifications by competent authority.** SHFC also intends to use bank account integration so as to download the bank account statement of the customer directly from the bank account in a read only format. Before using these technologies, The Company would take explicit consent of the customer and also inform him / her about the features and the safe environment of the above technologies which would cause no financial or any other harm to the customer or compromise his/her privacy

### F. Appointment of Designated Principal Officer

The Company has designated Company Secretary, as 'Principal Officer.' Principal Officer is located at our Corporate Office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. 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.

### G. Maintaining Transaction Records

As per the rule of the Prevention of Money Laundering Rules, the Company will maintain the records of the below mentioned transactions

- i. All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency.
- ii. All series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh.
- iii. All transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency.
- iv. 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.

- v. All suspicious transactions as mentioned under “Monitoring of Transactions” section

The Company would maintain the following information in respect to transactions

- A. Nature of the transactions;
- B. amount of the transaction and the currency in which it was denominated;
- C. Date on which the transaction was conducted.
- D. Details of the parties involved

In compliance with Section 12 of PMLA, the Company would maintain records as under

- A. Records of identity of all customers to be maintained for a period of ten years from the date of cessation of transactions between the customer and the Company.
- B. Records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PMLA Rules to be maintained for a period of ten years from the date of transactions between the customers and the Company.

### IX. Due Diligence procedure:

#### 1. On-going Due Diligence

Ongoing Due Diligence shall be aligned with the risk category of the customer. The Company shall effectively control and reduce their risk by understanding the normal and reasonable activities of the Customer.

The Company shall pay special attention to all complex, unusually large Transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

The Company shall 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.

#### 2. Periodic review

Periodic review based risk categorization of accounts shall be carried out at least once in six months. In case of customers with regular EMI's, existing categorization of such accounts shall continue.

The head of Credit department is authorized to develop a Score Card of the customers for periodic review.

Periodic review shall be carried out based on points obtained in the Score Card (Please refer Annexure IV).

The parameters of the Score card are indicative. It is subject to any updation/changes/modification from time to time with the approval of CFO of the Company.

#### 3. Periodic Updation:

Periodical updating of KYC shall be taken up or 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; from the date of opening of the account/ last verification of KYC as per the following procedure:

The following procedure shall be carried out for Periodic Updation;

- i. PAN verification from the verification facility available with the issuing authority;
- ii. Authentication, of Aadhaar Number already available with the Company with the explicit consent of the customer in applicable cases.
- iii. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
- iv. Certified Copy of OVD containing identity and address shall be obtained at the time of Periodic Updation from individuals except those who are categorized 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; and
- v. In case of legal entities, a fresh Certified Copy of documents which were submitted at the time of opening account shall be obtained.

The Company may not insist on the physical presence of the Customer for the purpose of furnishing OVD unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. OVD / consent forwarded by the Customer through mail/ post, etc., may be accepted at the sole discretion on the Company.

The Company shall provide acknowledgment with date of having performed the updation.

### X. **Reporting to FIU-IND**

The Principal officer will report information relating to cash and suspicious transactions if detected to the Director, to 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:

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.

XI. **Central KYC Registry**

The Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the Central KYC Record Registry vide the Gazette Notification No. S.O. 3183(E) dated November 26, 2015. HFCs have been advised by National Housing Bank vide Policy Circular 76 dated 01- 11-2016 to upload the Know Your Customer (KYC) data with CERSAI in respect of new individual loan accounts opened on or after the date of the extant Policy Circular as per the operational guidelines issued by CERSAI. SHFC will upload the data with respect to the same and observe total compliance to the mandated regulations.

XII. **Amendment**

The Company has the right to update or modify parts of this policy or totally from time to time. The Audit Committee and the Chairman will also review this Policy and suggest amendments to make it more relevant and responsive so as to protect the reputation of the Company and minimize the business loss emanating from any misconduct / fraudulent activities.

Annexure I

CIP enlists the means to identify the customer through reliable and independent documents / information while establishing a relationship with him/her. SHFC would procure all relevant documents to establish the identity of the customer including age, place of residence, signature etc. The below mentioned list of documents are listed as below which need to be collected from customers towards compliance of CIP

Document Name	REQUIREMENT	Document Category	Income Source				Document Type
			Salaried	NRI*	SEP*	SENP*	
AADHAR CARD	Minimum One Document Must Be Collected	Residence Proof	Yes	Yes	Yes	Yes	Self-Attested Copy
RATION CARD			Yes	Yes	Yes	Yes	Self-Attested Copy
PASSPORT			Yes	Yes	Yes	Yes	Self-Attested Copy
LATEST ELECTRICITY BILL			Yes	Yes	Yes	Yes	Self-Attested Copy
LATEST TELEPHONE/MOBILE BILL			Yes	Yes	Yes	Yes	Self-Attested Copy
LATEST BANK ACCOUNT STATEMENT			Yes	Yes	Yes	Yes	Self-Attested Copy
DRIVING LICENCE			Yes	Yes	Yes	Yes	Self-Attested Copy
LEAVE LICENSE AGREEMENT COPY			Yes	No	Yes	Yes	Self-Attested Copy
LETTER FROM EMPLOYER (SUBJECT TO SATISFACTION OF THE COMPANY)			Yes	No	Yes	Yes	Original
LETTER FROM SOCIETY			Yes	Yes	Yes	Yes	Original
AADHAR CARD	Minimum One Document Must Be Collected	Id Proof	Yes	Yes	Yes	Yes	Self-Attested Copy
VOTER ID CARD			Yes	Yes	Yes	Yes	Self-Attested Copy
DRIVING LICENCE			Yes	Yes	Yes	Yes	Self-Attested Copy
PAN/GIR NUMBER OR FORM 60 OR 61 (WHEREVER APPLICABLE)			Yes	Yes	Yes	Yes	Self-Attested Copy
PASSPORT			Yes	Yes	Yes	Yes	Self-Attested Copy
ID ISSUED BY EMPLOYER			Yes	Yes	No	No	Self-Attested Copy
PROCESSING FEES CHEQUE	Minimum One Document Must Be Collected	Signature Proof	Yes	No	Yes	Yes	Original
PAN/GIR NUMBER OR FORM 60 OR 61			Yes	Yes	Yes	Yes	Self-Attested Copy

(WHEREVER APPLICABLE)							
PASSPORT			Yes	Yes	Yes	Yes	Self-Attested Copy
<b>Income Source</b>							
*NRI - Non-Resident Indian							
*SEP - Self Employed Professional							
*SENP - Self Employed Non-Professional							

As a part of CIP, the Company through own staff or appointed third party personnel would carry out verification of the original documents submitted by the customer and also the verification of residence, business, employment etc. The officers would conduct telephone discussion and / or personal discussion with customers as a part of the verification. The staff / authorized personnel should see the original documents, verify the copies and put Original Seen and Verified (OSV) stamp once the documents are verified. For loans to non-individuals (entities like partnership firms/limited companies), the company will obtain and verify the necessary documents to prove empowerment of the individual who is the designated authority in such cases.

No other document will be accepted as Officially Valid Documents (OVD) for ID proof. In view of the change in the definition of 'Officially Valid Documents' the documents mentioned in the revised PML Rules would be accepted. The Company does not have any discretion to accept any other document for this purpose.

Further, in addition to the above documents the Company shall also accept the below mentioned documents as proof of identity and address:

- A. E-KYC services of Unique Identification Authority of India (UIDAI) – through which the information containing demographic details and photographs is made available from UIDAI as a result of e-KYC process. However, for the purpose the individual / customer has to authorize the UIDAI by explicit consent to release his / her identity / address through biometric identification to the Company's branches / offices. Usage of the same is subject to any future notifications by competent authority.
- B. e-Aadhar downloaded from UIDAI website, subject to the following:
  1. If the prospective customer knows only his / her Aadhaar number, the Company may print the prospective customer's eAadhaar letter in its branch/ office directly from the UIDAI portal; or adopt eKYC procedure as mentioned in paragraph I above;
  2. If the prospective customer carries a copy of the eAadhaar downloaded elsewhere, the Company may print the prospective customer's e-Aadhaar letter in its branch/office directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in I above; or confirm identity and address of the resident through simple authentication service of UIDAI.

- C. Physical Aadhaar card/ letter issued by UIDAI containing the details of name, address and Aadhaar number received through post.

Correct permanent address for proof of residence of individuals

1. Telephone bill
2. Account Statement of a scheduled commercial bank
3. Letter from any recognized public authority.
4. Electricity bill
5. Ration Card
6. Letter from Employer (Signed by HR/Proprietor / Owner), subject to satisfaction of the Company.
7. Any one documents which the customer provides to the satisfaction of the Company will suffice, which may include the following:
  - a. Leave & License Agreement or Rent Agreement having the validity as on date of entering into a relationship with the Company;
  - b. Piped Gas Connection Bill/Post Paid Mobile Bill (carrying the present address of the customer, provided that the said bills are not older than 3 months
  - c. A person not having an address proof in his/her own name may provide an address proof (as accepted by the Company) of any close relative (e.g. Spouse, son, daughter, parents) supported by a document establishing their relationship (e.g. PAN Card, Passport, Birth Certificate. etc.) supported with a declaration that the said customer is residing with the relative whose address proof is being provided to the Company;
  - d. Acceptance of notarized affidavit as address proof in the rural areas.

D. **In case of Companies**

1. Name of the company
2. Principal place of business
3. Mailing address of the company
4. Telephone/Fax Number
  - a. Certificate of Incorporation and Memorandum & Articles of Association.
  - b. Certificate of incorporation and Memorandum & Articles of Association
  - c. Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account.
  - d. Power of Attorney granted to its managers, officers or employees to transact business on its behalf
  - e. Copy of PAN / allotment letter
  - f. Copy of the telephone bill

E. **In case of Partnership Firms**

1. Legal name
2. Address
3. Names of all partners and their addresses-
4. Telephone numbers of the firm and partners
  - a. Registration certificate, if registered
  - b. Partnership deed



- c. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- d. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses
- e. Telephone bill in the name of firm/partners

### F. Trusts & Foundations

1. Names of trustees, settlers, beneficiaries and signatories
2. Names and addresses of the founder, the managers/directors and the beneficiaries Telephone/fax numbers
  - i. Certificate of registration, if registered
  - ii. Power of Attorney granted to transact business on its behalf
  - iii. Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses
  - iv. Resolution of the managing body of the foundation/association
  - v. Telephone bill

#### **NOTE:**

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

### Annexure II

Following are the list of suspicious transactions pertaining to the Housing Loans.

- A. Reluctance to provide information, data, documents as demanded by the SHFC staff or authorized personnel.
- B. Submission of false documents, information, in relation to KYC, Income documents or loan purpose.
- C. Reluctance to meet in person even when physically present at the said address and represents him/her through a third party or PoA without any proper justification.
- D. Approaching a branch which is far away from the customer's residential or business address provided in the loan application even when there is a branch/office closer to the given address.
- E. Unable to explain the transactions in the bank account
- F. Having multiple bank accounts without any proper justification or purpose
- G. Own contribution made through unrelated sources / accounts which cannot be properly justified or verified
- H. Request for availing top-up loan without proper justification of the purpose and end-use
- I. Suggestion of spurious means for sanction of the loan
- J. Encashment of the disbursement amount by opening a fictitious bank account
- K. Requests for disbursement to be done in the favour of a third party that is totally unrelated
- L. Usage of loan for other than the stated purpose at the time of loan application
- M. Usage of loan in connivance with the builder/developer/broker/agent
- N. Frequently conveying change of address and other particulars
- O. Reasonable doubts over the real beneficiary of the loan and the property/dwelling unit to be purchased
- P. Abnormally low/high consideration in the sale agreement compared to the prevailing rate in the area where the home is purchased
- Q. Multiple funding of the same property/dwelling unit
- R. Multiple funding involving an NGO, charitable organisation, self-help groups or small / medium enterprises
- S. Regular requests to refund part/full prepayment of loan
- T. Payments from a third-party bank account without any proper justification

### Annexure III

#### RED FLAGS / PARAMETERS TO IDENTIFY SUSPICIOUS TRANSACTIONS (STR)

List of RED FLAG INDICATORS (RFI) for STR identification:

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

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

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

As such the suggested RFIs are essentially situations that would require further analysis as they have the potential of being a STR. The Principal Officers are expected to sensitize the respective HFCs of the RFIs and 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.

There are certain parts (as specifically indicated) that would need to be assessed by the company, in lines of its business practices, and determine the point of trigger of the RFI for the company.

Upon such identification, the company would approve these RFIs by the Board and incorporate the same as a part of the 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:**

##### **A. Identity of Customer**

1. Submission of false Identification Documents.
2. Customer holding multiple PAN.
3. Identification documents which could not be verified within reasonable time or replaced with another set of Identification documents.
4. Accounts opened with names very close to other reputed business entities.

5. Customer uses aliases and a variety of similar but different addresses.
6. Customer spells his or her name differently from one transaction to another, without justification.
7. Name of customer indicated differently in different KYC documents enabling creation of multiple customer identities.
8. 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.
9. Doubt over the real beneficiary of the loan account
10. The customer is reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons.
11. 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.
12. Changes in mailing address of the Customer more than [twice] in last 6 months
13. Unusual capital, partnership, management or employment structure of companies compared to other institutions in the same sector or general company structure.
14. Current data not updated with relevant regulatory authorities, without justification.
15. 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

### B. Background of a Customer

1. The customer details matched with watch lists (e.g. UN list, Interpol list etc.)
2. 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 analyze 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". These Accounts are to be reported even if they are closed.
3. 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.
4. Customer shows income from "foreign sources" on loan application without providing proper documentation.

### C. Credit Bureau Information

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

#### 1. Part B: RFIs that are Transaction / Loan Account Centric:

### a. Multiple Accounts

- i. Use of Bank A/c's of Third Parties for payment of EMIs as per NHB guidelines.
- ii. Change in the bank account from which PDC/ ECS are issued as per company policy
- iii. Total amount of payments through DD, Cash and 3rd party Cheques valued as per NHB guidelines
- iv. Customer appears to have recently established a series of new relationships with different financial entities.

### b. Nature of Activity in an Account

- i. Unusual activity compared with past transactions.
- ii. Encashment of loan amount by opening a fictitious bank account.
- iii. Activity inconsistent with what would be expected from declared business/profile of the customer.
- iv. Loan Accounts with original tenor of more than 1 year are foreclosed within 6 months after disbursal of loan.
- v. 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.
- vi. Overpayment of instalments in cash with a request to refund the excess amount.
- vii. Customer conducts transactions at different physical locations in an apparent attempt to avoid detection.
- viii. Customer presents confusing details about the transaction or knows only few details about its purpose.
- ix. 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.
- x. Account indicated by customer to receive interest payment against a deposit placed is attached by Government Authorities

### c. Nature of Transactions

- i. Unusual or unjustified complexity shown in a Transaction that may normally be done in simpler manner.
- ii. Initial contribution made through unrelated third party accounts without proper justification;
- iii. No economic rationale or bonafide purpose behind the transaction.
- iv. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount
- v. Suggesting dubious means for the sanction of loan

### d. Value of Transactions

- i. Value just under the reporting threshold amount in an apparent attempt to avoid reporting.

- ii. 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
- iii. Value inconsistent with the client's apparent financial standing.

**e. Transactions amongst family members**

Transaction between members of the same family to avail a loan wherein there is no genuine transaction / rationale.

**2. Part C: RFIs that are Property / Property document Centric:**

- a. 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.
- b. 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.
- c. Change in Ownership without rationale Converting/changing the individual properties in the name of Company/Trust/HUF/Partnership Firm/LLP by executing a sale deed at a low price or by way of any type of agreement, attorney, arrangement (registered or not) and subsequently in quick succession further transaction is shown at a considerably higher amount in favor of third parties.
- d. 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.
- e. Property repurchased Customer buys back a property that he or she recently sold without justification

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

- a. Foreclosure by a customer in a very short period: Loan Accounts with original tenor of more than 1 year are foreclosed within 6 months after disbursement of loan.
- b. Frequently change in repayment bank account during currency of account:
  - i. Change in the bank account from which PDC/ ECS are issued more than [\*] in last [6/12] months
- c. Negative information about customer through external sources/ database or Notice received from any Agency / Regulator/ Other Government Agencies
  - i. The customer details matched with watch lists (e.g. UN list, Interpol list etc.)
  - ii. 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.

- iii. 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.
- d. Frequent change of Address without reasonable explanation Changes in mailing address more than [\*] in last 6 months
- e. Account having a large volume of repayments by depositing DD, Cash and 3rd party Cheques
  - i. Total amount of payments through DD, Cash and 3rd party Cheques valued at [\*] EMIs / part payments in last 30 days
- f. Transaction more than specified percentage of the EMI, paid in cash by a Delinquent Borrower. for more than 6 months repays the loan in cash beyond [\*] the original EMI.
- g. 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
- h. Separate bank accounts Use of Bank A/c’s of Third Parties for payment of EMIs at more than [\*] occasions.

#### 4. 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; suspects or accused in such reports shall be searched and in case of matches the same may be further internally analyzed for reporting purposes
- d. Builder retains substantial number of the Units in the Project in his or his family member’s 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.



### Annexure IV

CUSTOMER SEGMENT	Point	Category
SALARIED DOCUMENTED INCOME	0	LOW
SALARIED + SENP DOCUMENTED	75	LOW
SALARIED + CASH/ASSESSED INCOME	100	MID
SENP - DOCUMENTED INCOME	100	MID
CASH SALARY / ASSESSED	150	HIGH
SENP DOCUMENTED + ASSESSED/CASH	150	HIGH

LOAN AMOUNT BAND	Point	Category
UPTO 10 LACS	0	LOW
10 TO 15 LACS	50	LOW
15 TO 25 LACS	100	MID
> 25 LACS	150	HIGH

FOIR	Point	Category
00 TO 30%	0	LOW
> 30% TO 50%	50	LOW
> 50% TO 60%	100	MID
> 60%	150	HIGH

LTV RANGE	Point	Category
UPTO 40%	0	LOW
40% TO 60%	50	LOW
60% TO 80%	100	MID
> 80%	150	HIGH

Income Band	Point	Category
Upto 15000/-	150	HIGH
Upto 30000/-	100	MID
Upto 60000/-	50	LOW
> 60000/-	0	LOW

MIN	MAX	Category
1	600	HIGH
601	750	MEDIUM
751	1000	LOW