



**Know Your Customer (“KYC”)  
and  
Anti-Money Laundering (“AML”) Policy**

### Summary of Policy

<b>Policy Name</b>	Know Your Customer and Anti Money Laundering Policy
<b>Date of last review</b>	September 24, 2018
<b>Date of current review</b>	May 24, 2019
<b>Date of next review</b>	On or before May 23, 2020
<b>Periodicity of review</b>	Annual
<b>Owner / Contact</b>	Compliance Department
<b>Approver</b>	Board of Directors
<b>Annexures</b>	<ul style="list-style-type: none"><li>- Indicative list for risk categorization of customers as <b>Annexure-I</b></li><li>- List of Suspicious Transactions as <b>Annexure-II</b></li></ul>

## 1. PREAMBLE

As part of the best corporate practices, DMI Housing Finance Pvt. Ltd. (“the Company” or “DMI”) has adopted “**Know Your Customer (KYC)**” and “**Anti Money Laundering (AML) Measure**” (referred to as “**Guidelines**”) for lending/ credit/ operations/ financial dealings in line with the extant guidelines framed by National Housing Bank (“**NHB**”) with reference to the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time.

The objective of these Guidelines is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering/ fraudulent/anti-social activities. KYC procedures also enable the Company to identify/ know/ understand their customers and their financial dealings better, which in turn help them manage their risks prudently.

These Guidelines are framed keeping in mind the above and has the following key elements:

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

## 2. DEFINITIONS

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

*Explanation 1: In terms of the Aadhaar Act, every resident shall be eligible to obtain an Aadhaar number.*

*Explanation 2: Aadhaar will be the document for identity and address.*

- b. “**Act**” and “**Rules**” means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
- c. “**Authentication**”, as defined under sub-section (c) of section 2 of the Aadhaar Act, means the process by which the Aadhaar number along with demographic information or biometric information of an individual is submitted to the Central Identities Data Repository (CIDR) for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it;
- d. **Beneficial Owner (BO):**
  - Where the **customer is a Company**, the beneficial owner is the natural person(s), who,

whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.

***Explanation-***

- ***“Controlling ownership interest” means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the Company.***
- ***“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by their shareholding or management rights or shareholder’s agreements or voting agreements.***
- Where the **customer is a partnership firm**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.
- Where the **customer is an unincorporated association or body of individuals**, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

***Explanation:***

- ***Term ‘body of individuals’ includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.***
  - Where the **customer is a trust**, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.
- a. **“Biometric information”**, as defined in the Section 2(g) of the Aadhaar Act, means photograph, finger print, Iris scan, or such other biological attributes of an individual as may be specified by Aadhaar (authentication) regulations;
  - b. **“Board”** means Board of Directors of the Company.
  - c. **“Cash Transactions”** means "Cash Transactions" as defined under rule 3 of the Rules.
  - d. **“Central Identities Data Repository” (CIDR)**, as defined in Section 2(h) of the Aadhaar Act, means a centralised database in one or more locations containing all Aadhaar numbers issued to Aadhaar number holders along with the corresponding demographic information and biometric information of such individuals and other information related thereto;

- e. **“Central KYC Records Registry” (CKYCR)** means an entity defined under Rule 2(1)(aa) of the Prevention of Money Laundering Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer;
- f. **“Company”** means DMI Housing Finance Private Limited
- g. **“Customer”** means a 'person', as defined below under point 3(y) below, who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- h. **“Customer Due Diligence” (CDD)** means “Client Due Diligence” as defined under rule 9 of the Rules and the amendments thereto.
- i. **“Customer Identification”** means undertaking the process of CDD.
- j. **“Demographic information”**, as defined in Section 2(k) of the Aadhaar Act, includes information relating to the name, date of birth, address and other relevant information of an individual, as may be specified by regulations for the purpose of issuing an Aadhaar number, but shall not include race, religion, caste, tribe, ethnicity, language, records of entitlement, income or medical history;
- k. **“Designated Director”** means Managing Director or a whole-time Director, duly authorized by the Board of Directors of the Company to ensure overall compliance with the obligations imposed under chapter IV of the Prevention of Money Laundering Act and the Rules;

***Explanation. –***

***i. For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.***

- l. **“Directors”** mean individual Director or Directors on the Board of the Company.
- m. **“Enrolment number” means “Enrolment ID”** as defined in Section 2(1)(j) of the Aadhaar (Enrolment and Update) Regulation, 2016 which means a 28-digit Enrolment Identification Number allocated to residents at the time of enrolment of Aadhaar;
- n. **"FATCA"** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- o. **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- p. **"Non-face-to-face customers"** means customers who open accounts without visiting the branch/ offices of the HFC or meeting the officials of the Company.

q. **“Officially valid document” (OVD)** means the following:

- Passport,
- Driving license,
- the Permanent Account Number (PAN) Card or Form No. 60 as defined in Income-tax Rules, 1962
- Proof of possession of Aadhaar Number
- Voter's Identity Card issued by the Election Commission of India,
- Job card issued by NREGA duly signed by an officer of the State Government,
- Letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number or any other document as notified by the Central Government in consultation with the Regulator.

“Provided also that where the client submits his proof of possession of Aadhaar number as an officially valid document, he may submit it in such form as are issued by the Unique Identification Authority of India;”

***Explanation:***

*For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.*

r. **“On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds.

s. **“Periodic Updation”** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the National Housing Bank.

t. **“Person”** has the same meaning assigned in the Act and includes:

- an individual,
- a Hindu undivided family,
- a Company,
- a firm,
- an association of persons or a body of individuals, whether incorporated or not,
- every artificial juridical person, not falling within any one of the above persons
- any agency, office or branch owned or controlled by any of the above persons

u. **“Politically Exposed Persons” (PEPs)** are individuals who are or have been entrusted with prominent public functions e.g., Heads of States/ Governments, senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc.

- v. **“Principal Officer”** means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules;
- w. **“Suspicious transaction”** means a **“transaction”** as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:
- gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
  - appears to be made in circumstances of unusual or unjustified complexity; or
  - appears to not have economic rationale or bona-fide purpose; or
  - gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

***Explanation:***

- i. Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.***

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

**3. KEY ELEMENTS**

**The objective**

The objective of KYC guidelines is to prevent DMI from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable the Company to know/understand its customers and their financial dealings better which in turn help them manage the risks prudently. These Guidelines are framed keeping in mind the above and has the following key elements:

- A. Customer Acceptance Policy;***
- B. Risk management.***
- C. Customer Identification Procedures; and***
- D. Monitoring of Transactions;***

For the purpose of the KYC policy, a **‘Customer’** is defined as per Clause 3 i.e. Definitions.

**A. CUSTOMER ACCEPTANCE POLICY (CAP)**

The Company shall, develop a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. The Customer Acceptance Policy of the Company must ensure that explicit guidelines are in place on the following aspects of customer relationship:

- (i) No account is opened in anonymous or fictitious/ benami name(s);
- (ii) No account is opened where the Company is unable to apply appropriate CDD measures, either due to non-cooperation of the consumer or non-reliability of the documents/ information furnished by the customer.
- (iii) No transaction or account-based relationship is undertaken without following the CDD procedure.
- (iv) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- (v) Optional/additional information is obtained with the explicit consent of the customer after the account is opened.
- (vi) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (vii) If an existing KYC compliant customer of the Company desires to open another account with the same HFC, there shall be no need for a fresh CDD exercise.
- (viii) Circumstances in which, a customer is permitted to act on behalf of another person/ entity is clearly spelt out.
- (ix) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions list issued by UN Security Council circulated by National Housing Bank and the sanctions lists circulated by Reserve Bank of India from time to time.
- (x) DMI will not open an account or close an existing account where the bank is unable to apply appropriate customer due diligence measures i.e. it is unable to verify the identity and /or obtain documents required as per the risk categorization due to non-cooperation of the customer or non-reliability of the data/information furnished to DMI. 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. For example, decision to close an account may be taken at a reasonably high level (Principal Officer / Director) after giving due notice to the customer explaining the reasons for such a decision;

## **B. RISK MANAGEMENT**

The Board of Directors of DMI has ensured that an effective KYC program is in place and has established appropriate procedures and is overseeing its effective implementation. The program covers proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility has been explicitly allocated within the Company to ensure that Company's policies and procedures are implemented effectively. The Company in consultation with its Board, has devised procedures for creating Risk Profiles of existing and new customers and will



apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

For Risk Management, Company will have a risk-based approach which includes the following.

- a. Customers shall be categorized as low, medium and high-risk category, based on the assessment and risk perception of the Company.
- b. Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

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

The recommendations made by the Financial Action Force (FATA) on Anti-money Laundering (AML) standards and on combating Financing of Terrorism (CFT) standards should also be used in risk assessment.

### **Risk Categorization**

**Type of low risk customers-** individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, may be categorized as low risk. Illustrative examples of low risk customers may include government departments and government owned companies, regulators and statutory bodies, etc.

In such cases, the policy requires only the basic requirements of verifying the identity and location of the customer.

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

- (i) Trusts, charities, NGOs and organizations receiving donations,
- (ii) Companies having close family shareholding or beneficial ownership,
- (iii) Firms with 'sleeping partners',
- (iv) Politically exposed persons (PEPs) of foreign origin,
- (v) Non-face to face customers, and
- (vi) Those with dubious reputation as per public information available, etc.

The Company has formulated an indicative list of customers and their respective risk categories. Please find attached as **Annexure-I**.

Company's internal control and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. The compliance function will provide an independent evaluation of DMI's policies and procedures, including legal and regulatory requirements. DMI will ensure that its internal control systems and machinery is staffed adequately with individuals who are well-versed in such policies and procedures or hire the services of a reputed Company engaged in providing quality services in the said field. They will specifically check and verify the application of KYC procedures 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 at quarterly intervals.

DMI will have an ongoing (at regular intervals) employee training program so that 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.

**C. CUSTOMER IDENTIFICATION PROCEDURE ('CIP')**

Set out below is Company's adopted Customer Identification Procedure that shall be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when the Company 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. DMI will obtain information stated below 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. Being satisfied means that DMI must be able to satisfy the competent authorities like RBI that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place. Besides risk perception, the nature of information/documents required would also depend on the type of customer.

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

- (a) Commencement of an account-based relationship with the customer
- (b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- (c) Selling third party products as agents, selling their own products and any other product for more than INR 50,000 (Rupees Fifty Thousand).

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

- (a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.

- (b) Adequate steps are taken by the Company to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- (c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due -diligence and record-keeping requirements in line with the requirements and obligations under the Prevention of Money-Laundering Act.
- (d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- (e) The ultimate responsibility for CDD, including done by a third party and undertaking enhanced due-diligence measures as applicable, shall rest with the HFC concerned.

**D. MONITORING OF TRANSACTIONS**

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce its risk only if it has an understanding of the normal and reasonable activity of the customer so that it can identify transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. Since the Company may not have any deposit accounts, this situation will not arise, but the Company shall pay special attention to depleting financial ratios, adequacy of collaterals, complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.

The Company has introduced a system of Maintenance of records, at each branch and a consolidated record for all the branches taken together at the registered office of the Company, of transactions (nature and value), in such form and for such period as specified under the Rule 3 of the Prevention of Money-laundering (maintenance of Records) Rules, 2005.

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

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

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

The Company will put in place a system of half-yearly review of risk categorization of all outstanding accounts and the need for applying enhanced due diligence measures.

The Company will ensure that record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002 (***Refer Point 8 for maintenance of records***)

*and Point 9 for preservation of records under the PML act)* in a separate register at the registered office of DMI in physical or electronic form and make it available to the regulatory and investigating authorities. It will also ensure that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority.

#### 4. Designated Director

The Company has appointed the following person as the “**Designated Director**” and the same has been duly communicated to FIU:

<b>Name</b>	Mr. Shivashish Chatterjee
<b>Designation</b>	Directors
<b>Address</b>	Express Building, 3 <sup>rd</sup> Floor, 9-10, Bahadur Shah Zafar Marg, New Delhi-110002
<b>Contact details</b>	011-41204444 <a href="mailto:shiv@dmifinance.in">shiv@dmifinance.in</a>

#### 5. Principal Officer

The Company has appointed the following “**Principal Officer**”, who shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations and the same has been duly communicated to FIU:

<b>Name</b>	Mr. Yuvraja Chanakya Singh
<b>Designation</b>	Director
<b>Address</b>	Express Building, 3 <sup>rd</sup> Floor, 9-10, Bahadur Shah Zafar Marg, New Delhi-110002
<b>Contact details</b>	011-41204444 <a href="mailto:yuvraj@dmifinance.in">yuvraj@dmifinance.in</a>

#### 6. Compliance of KYC Policy

a. Senior Management for KYC compliance-

- Mr. Rajul Bhargava, Chief Risk Officer- responsible for overseeing the KYC compliance and suggesting any changes.
- Mr. Sandeep Verma, Head- Operations- responsible for obtaining and maintaining all KYC records from the borrowers
- Mr. Sahib Pahwa, Compliance Officer- responsible for ensuring that the KYC compliance is being met as per regulations prescribed

- b. The Audit Committee shall be reported in the form of a note on a quarterly basis about the status of KYC compliance of all the borrowers of the Company in accordance with this policy.
- c. The internal auditors need to provide a quarterly update to the Audit committee on KYC compliance and the procedures and corrective measures to be followed.
- d. The Company will ensure independent evaluation of the compliance functions of its policies and procedures including legal and regulatory requirements.
- e. The Company shall ensure that decision-making functions for determining compliance with KYC norms are not outsourced.

## 7. CUSTOMER DUE DILIGENCE (CDD) PROCEDURE

### A. **Following are the procedure for obtaining identification of customers:**

- a. While undertaking CDD, the Company will obtain the following information from an individual while establishing an account based relationship with an 'individual ' or dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:
  - i) the Aadhaar number where he is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act, or certified copy of an OVD containing details of identity and address, and one recent photograph; and
  - ii) the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time.

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

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

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

- b. In case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-
  - i) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
  - ii) property or Municipal tax receipt;
  - iii) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
  - iv) letter of allotment of accommodation from employer issued by State Government

or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;

Provided that in case the OVD submitted by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

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

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

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

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

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

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

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

#### **Part- I: CDD PROCEDURE IN CASE OF INDIVIDUALS**

- B.** Company will following the below mentioned procedure while establishing an account based relationship with an individual:
- a) Obtain information as mentioned under Section A; and
  - b) such other documents pertaining to the nature of business or financial status specified by the Company in their KYC policy.

Provided that information collected from customers for the purpose of opening of account shall be

treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.

Customers who are unable to provide Permanent Account Number or Form No.60 owing to injury, illness or infirmity on account of old age or otherwise, and such like causes will be given relaxation for sixty days (60) days to produce such documents. Upon non-receipt of aforesaid documents on the expiry of 60 days, the Company will issue notices to the customer thrice within an interval of ten (10) days each to provide the aforesaid documents. In case no response is received from the customer, the respective account will be closed.

### **Part- II: CDD MEASURES FOR SOLE PROPRIETARY FIRMS**

- C.** For opening an account in the name of a sole proprietary firm, identification information as mentioned under Section A in respect of the individual (proprietor) shall be obtained.
- D.** In addition to the above, any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:
- (a) Registration certificate.
  - (b) Certificate/ licence issued by the municipal authorities under Shop and Establishment Act.
  - (c) Sales and income tax returns.
  - (d) CST/VAT/ CST certificate (provisional/ final).
  - (e) Certificate/registration document issued by Sales Tax/ Service Tax/ Professional Tax authorities.
  - (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/Licence/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
  - (g) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax authorities.
  - (h) Utility bills such as electricity, water, and landline telephone bills.
- E.** In cases where the Company is satisfied that it is not possible to furnish two such documents, the Company may, at its discretion, accept only one of those documents as proof of business/ activity.

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

### **Part- III: CDD MEASURES FOR LEGAL ENTITIES**

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

- a) Certificate of Incorporation;
- b) Memorandum and Articles of Association

- c) Permanent Account Number of the company;
  - d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;
  - e) one copy of an OVD containing details of id entity and address, one recent photograph and Permanent Account Numbers of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- F.** For opening an account of a partnership firm, one certified copy of each of the following documents shall be obtained:
- a) Registration certificate;
  - b) Partnership deed;
  - c) Permanent Account Number of the partnership firm;
  - d) one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- G.** For opening an account of a trust, one certified copy of each of the following documents shall be obtained:
- a) Registration certificate;
  - b) Trust deed;
  - c) Permanent Account Number or Form No.60 of the trust;
  - d) one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf-
- H.** For opening an account of an unincorporated association or a body of individuals, one certified copy of each of the following documents shall be obtained:
- a) resolution of the managing body of such association or body of individuals;
  - b) Permanent Account Number or Form No.60 of the unincorporated association or a body of individuals;
  - c) power of attorney granted to transact on its behalf;
  - d) one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf identification information as mentioned under
  - e) Such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.

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

- I.** For opening accounts of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, one



certified copy of the following documents shall be obtained:

- a) Document showing name of the person authorised to act on behalf of the entity;
- b) Aadhaar/PAN/OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and;
- c) Such documents as may be required by the HFC to establish the legal existence of such an entity/ juridical person.

#### **Part- IV: CDD MEASURES FOR IDENTIFICATION OF BENEFICIAL OWNER**

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

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

#### **Part- V: ENHANCED DUE-DILIGENCE MEASURES**

**K. Accounts of Non-face-to-face customers:**

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

**L. Accounts of Politically Exposed Persons (PEPs):**

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

- (a) sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- (b) the identity of the person shall have been verified before accepting the PEP as a customer;
- (c) the decision to open an account for a PEP is taken at a senior level in accordance with the HFCs Customer Acceptance Policy;
- (d) all such accounts are subject to enhanced monitoring on an on-going basis;
- (e) in the event of in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship;
- (f) The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

- ii) These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

**M. Customer's accounts opened by Professional Intermediaries:**

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

- (a) Customer shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- (b) The Company will have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- (c) The Company will not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.
- (d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of HFC, and there are 'sub- accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of Company, the Company shall look for the beneficial owners.
- (e) The Company shall, at its discretion, rely on the CDD done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
- (f) The ultimate responsibility for knowing the customer lies with the Company.

**N. ONGOING DUE DILIGENCE**

Ongoing monitoring is an essential element of effective KYC procedures. The Company can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity.

- a) The Company should pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.
- b) The extent of monitoring shall be aligned with the risk category of the customer. A system of periodic review of risk categorisation of accounts, with such periodicity as specified in Company's KYC Policy shall be put in place.
- c) For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, may be categorized as low risk. Illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments & Government owned companies, regulators and statutory bodies, etc. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met.
- d) Customers that are likely to pose a higher than average risk to the Company may be categorized

as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

## **O. PERIODIC UPDATION**

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

- a) Company will carry out:
  - i. PAN verification from the verification facility available with the issuing authority and
  - ii. Authentication, of Aadhaar Number already available with the Company with the explicit consent of the customer in applicable cases.
  - iii. In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
  - iv. Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation from individuals except those who are categorised as 'low risk'. In case of low risk customers when there is no change in status with respect to their identities and addresses, certification to that effect shall be obtained.
  - v. In case of Legal entities, HFCs shall review the documents sought at the time of opening of account and obtain fresh certified copies.

## **8. FURNISHING OF INFORMATION TO THE DIRECTOR, FINANCIAL INTELLIGENCE UNIT - INDIA (FIU-IND):**

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

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

- iii) As advised by the FIU-IND, the Company will not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period.

- iv) The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR)/ Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by the Company which are yet to install/ adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officers of the Company, whose all branches are not fully computerized, shall have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.
- v) While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the said Rules shall be constituted as a separate violation.
- vi) Company will not put any restriction on operations in the accounts where an STR has been filed. The Company shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.
- vii) Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers may be put in to use as a part of effective identification and reporting of suspicious transactions.

**9. REPORTING REQUIREMENT UNDER FOREIGN ACCOUNT TAX COMPLIANCE ACT (FATCA) AND COMMON REPORTING STANDARDS (CRS)**

- i) Under FATCA and CRS, the Company will adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax 114F and if so, shall take following steps for complying with the reporting requirements:
  - a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution.
  - b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.

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

- c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H of Income Tax Rules.
  - d) Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
  - e) Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
  - f) Ensure compliance with updated instructions/ rules/ guidance notes/ PreM releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time.
- ii) In addition to the above, other United Nations Security Council Resolutions (UNSCRs) circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of.

## 10. **OTHER MEASURES**

### **Secrecy Obligations and Sharing of Information:**

- (i) Company will maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.
- (ii) While considering the requests for data/ information from Government and other agencies, the Company will satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in transactions.
- (iii) An illustrative (but not exhaustive) list of suspicious transactions in housing/ builder/project loans is furnished in **Annexure - II**.

### **Sharing KYC information with Central KYC Records Registry (CKYCR):**

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

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

### **Hiring of Employees and Employee training:**

- a. Adequate screening mechanism as an integral part of their personnel recruitment/hiring process should be put in place.
- b. On-going employee training programme is put in place so that the members of staff are adequately trained in KYC/ AML Measures policy. The focus of the training is different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff will be specially trained to handle issues arising from lack of customer education. Proper staffing of

the audit function with persons adequately trained and well-versed in KYC/ AML Measures policies of the HFC, regulation and related issues will be ensured.

**Selling Third party products:**

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

**Adherence to Know Your Customer (KYC) guidelines by HFCs and persons authorised by HFCs including brokers/agents etc.:**

- (a) Persons authorized by the Company for collecting deposits and/or selling loan related products, their brokers/ agents or the like, will be fully compliant with the KYC guidelines applicable to the Company.
- (b) All information will be made available to the National Housing Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by the Company including brokers/ agents etc. who are operating on their behalf.

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

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

**Indicative list for risk categorization*****High Risk Customers***

- Individuals and entities in various United Nations' Security Council Resolutions (UNSCRs) such as UN 1267 etc.;
- Individuals or entities listed in the schedule to the order under section 51A of the Unlawful Activities (Prevention) Act, 1967 relating to the purposes of prevention of, and for coping with terrorist activities;
- Individuals and entities in watch lists issued by Interpol and other similar international organizations;
- Customers with dubious reputation as per public information available or commercially available watch lists;
- Individuals and entities specifically identified by regulators, FIU and other competent authorities as high-risk;
- Customers conducting their business relationship or transactions in unusual circumstances, such as significant and unexplained geographic distance between the institution and the location of the customer, frequent and unexplained movement of accounts to different institutions, etc.;
- Politically exposed persons (PEPs), customers who are close relatives of PEPs and accounts of which a PEP is the ultimate beneficial owner;
- Non-face-to-face customers;
- High net worth individuals;
- Firms with 'sleeping partners';
- Companies having close family shareholding or beneficial ownership;
- Complex business ownership structures, which can make it easier to conceal underlying beneficiaries, where there is no legitimate commercial rationale;
- Shell companies which have no physical presence in branch locations. The existence simply of a local agent or low-level staff does not constitute physical presence;
- Accounts for "gatekeepers" such as accountants, lawyers, or other professionals for their clients where the identity of the underlying client is not disclosed to the Company;
- Client Accounts managed by professional service providers such as law firms, accountants, agents, brokers, fund managers, trustees, custodians etc.;
- Trusts, charities, NGOs/ unregulated clubs and organizations receiving donations;
- Gambling/gaming including "Junket Operators" arranging gambling tours;
- Jewelers and Bullion Dealers;
- Dealers in high value or precious goods (e.g. gem and precious metals dealers, art and antique dealers and auction houses, estate agents and real estate brokers);
- Customers engaged in a business which is associated with higher levels of corruption (e.g., arms manufacturers, dealers and intermediaries);
- Customers engaged in industries that might relate to nuclear proliferation activities or explosives;
- Customers that may appear to be Multi-level marketing companies etc.

***Medium Risk Customers***

- Stock brokerage;
- Import / Export;
- Gas Station;
- Car / Boat / Plane Dealership;
- Electronics (wholesale);
- Travel agency;

- Telemarketers;
- Providers of telecommunications service, internet café, *International direct dialing* (IDD) call service

***Low Risk Customers-***

All other customers (other than High and Medium Risk category) whose identities and sources of wealth can be easily identified and by and large conform to the known customer profile, may be categorized as low risk. In such cases, only the basic requirements of verifying the identity and location of the customer are to be met.



## Annexure-II

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

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

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

- 1) Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- 2) Unnecessarily complex client structure.
- 3) Individual or classes of transactions that take place outside the established business profile and expected activities/ transaction unclear.
- 4) Customer is reluctant to provide information, data, documents;
- 5) Submission of false documents, data, purpose of loan, details of accounts;
- 6) Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
- 7) Reluctant to meet in person, represents through a third party/ Power of Attorney holder without sufficient reasons;
- 8) Approaches a branch/ office of a HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/ office nearer to the given address;
- 9) Unable to explain or satisfy the numerous transfers in account/ multiple accounts;
- 10) Initial contribution made through unrelated third party accounts without proper justification;
- 11) Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;

- 12) Suggesting dubious means for the sanction of loan;
- 13) Where transactions do not make economic sense;
- 14) Unusual financial transactions with unknown source.
- 15) Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.
- 16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- 17) Encashment of loan amount by opening a fictitious bank account;
- 18) Applying for a loan knowing fully well that the property/ dwelling unit to be financed has been funded earlier and that the same is outstanding;
- 19) Sale consideration stated in the agreement for sale is abnormally higher/ lower than what is prevailing in the area of purchase;
- 20) Multiple funding of the same property/ dwelling unit;
- 21) Request for payment made in favour of a third party who has no relation to the transaction;
- 22) Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.
- 23) Multiple funding/ financing involving NGO/ Charitable Organisation/ Small/ Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- 24) Frequent requests for change of address;
- 25) Overpayment of instalments with a request to refund the overpaid amount.
- 26) Investment in real estate at a higher/lower price than expected.
- 27) Clients incorporated in countries that permit bearer shares.