

**DMI HOUSING FINANCE PRIVATE LIMITED  
KNOW YOUR CUSTOMER (KYC) GUIDELINES AND  
ANTI-MONEY LAUNDERING (AML) MEASURES**

**Summary of Policy**

<b>Policy Name</b>	Know Your Customer (KYC) Guidelines and Anti-Money Laundering (AML) Measures
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<b>Date of last review</b>	-
<b>Date of current review</b>	September 18, 2020
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<b>Owner / Contact</b>	Compliance Department
<b>Approver</b>	Board of Directors
<b>Annexures</b>	I

## **CHAPTER-1 PRELIMINARY**

### **1. Preamble & Introduction**

As part of the best corporate practices, DMI Housing Finance Pvt. Ltd. (“the Company” or “DMIHFC” or “RE”) 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 in line with Master Direction – Know Your Customer (KYC) Direction, 2016 Anti Money laundering (AML) Standards / Combating of Financing of terrorism (CFT) Measures / Obligation of the Company under Prevention of Money Laundering Act (PMLA), 2002

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 as per Master Direction – Know Your Customer (KYC) Direction, 2016, made applicable to Housing Finance Companies vide notification no. RBI/2019-20/235 DOR.NBFC (HFC).CC.No.111/03.10.136/2019-20 dated May 19, 2020 (“*Directions*”) and keeping in mind the above and has the following keyelements:

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

### **2. Applicability**

The provisions of these Guidelines shall apply to the DMI Housing Finance Private Limited (hereinafter referred as ‘DMIHFC’ or ‘the Company’ or ‘RE’) and to all its Branches / Office except where specifically mentioned otherwise.

These Guidelines are issued under the guidelines issued by National Housing Bank and Reserve Bank of India from time to time and any contravention of or non-compliance with the same may attract penal consequences under the said guidelines.

### **3. Definitions:**

3.1. “**Aadhaar number**” shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).henceforth 'The Aadhaar Act', means an identification number issued to an individual by Unique Identification Authority of India (UIDAI) on receipt of the demographic information and biometric

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information as per the provisions of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

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

ii. Aadhaar will be the document for identity and address.

3.2. **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.

3.3. **Authentication”**, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

### 3.4. “Beneficial Owner”

Sr. no	Applicable For	Guidelines	
a)	Where the customer is a company	The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical persons, has / have a controlling ownership interest or who exercise control through other means	1) “Controlling ownership interest” means ownership of / entitlement to more than 25 per cent of the shares or capital or profits of the company OR 2) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.
b)	Where the customer is a partnership firm (Registered; for unregistered firm please refer to unincorporated association).	The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person	Ownership of / entitlement to more than 15% (Fifteen per cent) of capital or profits of the partnership.
c)	Where the customer is an unincorporated association or body of individuals.	The beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person.	Ownership of/ entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

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

3.5. **“Certified Copy”** - Obtaining a certified copy by the Company shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorized officer of the Company as per the provisions contained in the Act.

Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016 {FEMA 5(R)}, alternatively, the original certified copy, certified by any one of the following, may be obtained:

- authorised officials of overseas branches of Scheduled Commercial Banks registered in India,
- branches of overseas banks with whom Indian banks have relationships,
- Notary Public abroad,
- Court Magistrate,
- Judge,
- Indian Embassy/Consulate General in the country where the non-resident customer resides.

3.6. **Central KYC Records Registry” (CKYCR)** means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

3.7 **“Customer”** means:

- i. a person or entity that maintains an account and/ or has a business relationship with the Company;
- ii. one on whose behalf the account is maintained (i.e. the beneficial owner);
- iii. beneficiaries of transactions conducted by professional intermediaries, such as stock brokers, chartered accountants, solicitors, mutual funds etc. as permitted under the law; and any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company, say, a wire transfer or issuance of a high value demand draft as a single transaction

3.8. **“Designated Director”** means a person designated by the Company to ensure overall compliance with the obligations imposed under Chapter-IV of the PML Act and the Rules and shall include:

- (i) the Managing Director or a whole-time Director, duly authorized by the Board of Directors,, .

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3.9. **"Digital KYC"** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Company as per the provisions contained in the Act.

3.10. **"Equivalent e-document"** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016

3.11. **"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

3.12. **"Know Your Client (KYC) Identifier"** means the unique number or code assigned to a customer by the Central KYC Records Registry.

3.13 **"KYC Templates"** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities

3.14 **"Non-face-to-face customers"** means customers who open accounts without visiting the branch/offices of the DMI HFC or meeting the officials of DMI HFC.

3.15 **"Officially Valid Document"** (OVD) means documents as provided in Annexure-II to this policy.

3.16 **"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.

3.17 **"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.

3.18. **"Person"** has the same meaning assigned in the Act and includes:

- a. an individual,
- b. a Hindu undivided family,
- c. a company,
- d. a firm,
- e. an association of persons or a body of individuals, whether incorporated or not,
- f. every artificial juridical person, not falling within any one of the above persons (a to e), and
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).

3.19. **"Principal Officer"** means an officer nominated by the Company responsible for furnishing information as per rule 8 of the Rules.

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

3.21. "**Suspicious transaction**" means a "transaction" as defined in the said Directions.

3.22. "**Video based Customer Identification Process (V-CIP)**": a method of customer identification by an official of the Company by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process for the purpose of this Master Direction

3.23. "**Walk-in Customer**" means a person who does not have an account-based relationship with the Company, but undertakes transactions with the Company.

***Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:***

*All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Prevention of Money Laundering Act (PML Act) and Prevention of Money Laundering (Maintenance of Records) Rules, any statutory modification or reenactment thereto or as used in commercial parlance, as the case may be.*

## CHAPTER-II GENERAL

### 4. Designated Director

- (a) The Company shall appoint **Mr. Yuvraja Chanakya Singh, Director** as the “Designated Director” (*nominated by the Board*) to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rule.
- (b) The name, designation and address of the Designated Director shall be communicated to the FIU-IND.
- (c) In no case, the Principal Officer shall be nominated as the 'Designated Director'.

### 5. Principal Officer

The Company shall nominate a senior officer who shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

The name, designation and address of the Principal Officer, including changes from time to time shall be communicated to the Director, Financial Intelligence Unit – India (FIUIND) and the National Housing Bank.

### 6. Compliance of KYC Policy:

- (a) The Company shall ensure the compliance of KYC Policy through:
  - (i) Mr. Rajul Bhargava, Chief Risk Officer of the Company who shall constitute as 'Senior Management' for the purpose of KYC compliance.
  - (ii) Mr. Shivashish Chatterjee and Mr. Yuvraja Chanakya Singh, Directors of the Company who are authorized to determine and allocate responsibility for effective implementation of KYC AML policies and procedures at various levels by way of delegation or defining through issuance of office orders or by way of issue of Authority Letters
  - (iii) Independent evaluation of the compliance functions of Company’s policies and procedures, including legal and regulatory requirements to be done by Mr. Rajul Bhargava, Chief risk officer, Ms. Shilpi Varshney, Company Secretary and Mr. Sahib Pahwa, Compliance Officer of the Company of the Company.
  - (iv) Internal Audit System to verify the compliance to KYC/AML policies and procedures and submission of quarterly audit notes and compliance to the Audit Committee. At the end of every calendar quarter, implementation and compliance of internal audit reports on adherence to KYC-AML guidelines would be reviewed for apprising Audit Committee of Board.
  - (v) The Company shall ensure that decision-making functions of determining compliance with KYC norms are not outsourced.

## CHAPTER-III

### 6. Customer Acceptance Policy

The Company shall frame a Customer Acceptance Policy (CAP) The Customer Acceptance Policy (CAP) is developed laying down explicit criteria for acceptance of customers. The CAP shall ensure that explicit guidelines are in place on the following aspects of customer relationship in the Company.

The Customer Acceptance Policy will ensure the flowing as of customer relationship:

- (i) The Company shall not open an account in anonymous or fictitious/ benami name(s).
- (ii) No account is opened where the Company is unable to apply appropriate Customer Due Diligence (CDD) measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer to ensure verification of the identity. However, the Company shall build-in safeguards to avoid any harassment to the customers.
  - i. Permanent Address proof from new customer will be collected. The documents which can be accepted as proof of address as prescribed by NHB, are mentioned in **Annexure-II**.
  - ii. For customers who wish to pre-close their account with , following will be collected:
    - (a) Permanent Address proof (As per Annexure-II).
    - (b) A declaration from the customer regarding source of funds being used for pre closure of the loan account.
- (iii) No transaction or account-based relationship is undertaken without following the CDD procedure.
- (iv) The Company shall define and categorize the customer into low, medium and high-risk perception on the basis of the location of customer, business profile, his clients, mode of payments, volume of turnover, social and financial status, etc. Customers requiring very high level of monitoring, e.g. Politically Exposed Persons (PEPs) will be given due consideration and may, if considered necessary be categorized even higher.
- (v) The Company shall collect required documents and other information in respect of different categories of customers depending on perceived low/ medium/ high risk and guidelines issued from time to time. Declaration shall be obtained from the customer that proceedings/ transactions are not in violation of Prevention of Money Laundering (PML) Act 2002 and NHB regulation issued from time to time.



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- a. In the following circumstances, the account may be opened/ operated by a mandate holder or by an intermediary, such as chartered accountants, solicitors, mutual funds, stock brokers etc., in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:

- i. if applicant is NRI/PIO
- ii. if applicant is a limited company
- iii. if applicant is a partnership firm

The Company shall ensure, before processing any loan disbursement either by the Company and/or through any specialized agency that the identity of the customer does not match with any person with known criminal background/ with forbidden entities such as individual terrorists or terrorist organizations, etc or whose name appears in the sanctions lists circulated by Reserve Bank of India.

- (vi) Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened. .
- (vii.) Company shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of the Company desires to open another account with the Company , there shall be no need for a fresh CDD exercise.
- (viii.) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (ix.) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- (x.) Where an equivalent e-document is obtained from the customer, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- (xi.) The Company shall prepare a customer profile for each new customer during the credit appraisal process based on risk categorization as mentioned in these guidelines. The customer profile will contain information relating to the customer's identity, social/ financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. During the credit appraisal process of the customer, details shall be recorded along with his/ her profile based on meeting with the customer (by the Company representative) apart from collection of applicable documents; this will be as per the Company's credit and product norms which are incorporated in the Credit risk policy and are in practice.

The customer profile will be accorded the status of a highly confidential document and details contained therein shall not be disclosed for cross selling or for any other purposes; unless for the purpose of risk minimization or fraud prevention or required by law & regulations or for social/ economic responsibility.

*Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.*

## **CHAPTER-IV**

### **7. Customer Identification Procedure**

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information.

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

- a. DMIHFC at the time of commencement of an account-based relationship, verify the identity of the customer and obtain information on the purpose and intended nature of the business relationship, and
- b. in all other cases, verify identity at the time of processing:
  - i. the transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or multiple transactions that appear to be connected, or
  - ii. any international money transfer operations.
- c. When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- d. Selling Third part products as agents, selling their own products, payment of dues of credit cards/sale and reloading of prepaid/travel cards and any other product for more than rupees Fifty Thousand.
- e. When Company has reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.
- f. The Company shall ensure that introduction is not to be sought while opening accounts.

The Company shall obtain sufficient and reliable documents or information necessary to establish to its satisfaction, the identity of each new customer, (whether regular or occasional) and the clear purpose of the intended nature of relationship. According to the said Rules, the documents/ information to be obtained for identifying various types of customers i.e. individuals, companies, partnership firms, trusts, unincorporated association or a body of individuals and juridical persons.

Customer identification requirements keeping in view the provisions of the said rules are indicated in Annexure-I, also indicative list of the nature and type of documents/ information that may be relied upon for customer identification is given in the Annexure-II. The Company will ensure compliance to the above rule.

The Company shall frame internal guidelines based on their experience of dealing with such persons/entities, normal prudence and the legal requirements.

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The Company shall implement the Client Identification Programme to determine the true and correct identity of its customer keeping the above in view.

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

- (a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- (b) Adequate steps are taken by the Company to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- (c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- (d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- (e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the Company.

### **CHAPTER-V**

#### **8. Customer Due Diligence (CDD) Procedure:**

##### **PART-1: Procedure in case of Individuals**

#### **8.1 Procedure in case of individuals:**

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

- (a) the Aadhaar number where,
  - (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
  - (ii) he decides to submit his Aadhaar number voluntarily to the Company as per first proviso to sub-section (1) of section 11A of the PML Act; or
- (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or

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- (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
- (b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- (c) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the Company.

Provided that where the customer has submitted:

- i) Aadhaar number under clause (a) above to the Company the Company shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the Company.
- ii) Proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, the Company shall carry out offline verification.
- iii) an equivalent e-document of any OVD, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annexure-1 (Digital KYC Process) of the said directions.
- iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the Company shall carry out verification through digital KYC as specified under Annexure-1 (Digital KYC Process) of the said directions.

Provided that for a period not beyond such date as may be notified by the Government instead of carrying out digital KYC, the Company may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e-document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, the Company shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the Company and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. The Company shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the Company and shall be available for supervisory review.

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*Explanation 1: The Company shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.*

*Explanation 2: Biometric based e-KYC authentication can be done by bank official/business correspondents/business facilitators.*

*Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.*

**8.1.1** Accounts opened using OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:

- i. There must be a specific consent from the customer for authentication through OTP.
- ii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.
- iii. the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.
- iv. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 16 is to be carried out.
- vi. If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- vii. 21A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non-face-to-face mode with any other Company. Further, while uploading KYC information to CKYCR, Company shall clearly indicate that such accounts are opened using OTP based e-KYC and other Company shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- viii. The Company shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

**8.1.2** The Company may undertake live V-CIP, to be carried out by an official of the Company, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

- i. The official of the Company performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information as below:

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- The Company to carry out Offline Verification of Aadhaar for identification.
  - i. The Company shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
  - iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India
  - iv. The official of the Company shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.
  - v. The official of the Company shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.
  - vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.
  - vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.
  - viii. The Company shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. The Company shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.
  - ix. To ensure security, robustness and end to end encryption, the Company shall carry out software and security audit and validation of the V-CIP application before rolling it out.
  - x. The audiovisual interaction shall be triggered from the domain of the Company itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
  - xi. The Company shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
  - xii. The Company are encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the Company.
  - xiii. shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

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xiv. The Company's can facilitate the process only at the customer end and as already stated above, the official at the other end of V-CIP interaction should necessarily be a Company's official. The Company shall maintain the details of the Business Co-respondents (BC) assisting the customer, where services of BCs are utilized.

### **PART-2: CDD Measures for Sole Proprietary firms**

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

**8.2.1** In addition to the above, any two of the following documents or the equivalent e-documents there of 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) (provisional/final).CST/VAT/ GST certificate
- (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 or 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, landline telephone bills, etc.

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

Provided the Company 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-3: CDD Measures for Legal Entities**

For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Certificate of incorporation
- (b) Memorandum and Articles of Association
- (c) Permanent Account Number of the company

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- (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) Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company's behalf

**8.3.1** For opening an account of a partnership firm, the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Registration certificate :
- (b) Partnership deed
- (c) Permanent Account Number of the partnership firm
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

**8.3.2** For opening an account of a trust, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Registration certificate
- (b) Trust deed
- (c) Permanent Account Number or Form No.60 of the trust
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

**8.3.3 For opening an account of an unincorporated association or a body of individuals, certified copies of each of the following documents or the equivalent e-documents thereof 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) relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf and Documents, as specified in Section 16,
- (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'

Explanation: Term 'body of individuals' include associates.

**8.3.4 For opening accounts of juridical persons not specifically covered in the earlier part, such as societies, universities and local bodies like village panchayats certified copies of the following documents or the equivalent e-documents there of shall be obtained:**



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- (a) Document showing name of the person authorised to act on behalf of the entity;
- (b) Documents, as specified in Section 16, of the person holding an attorney to transact on its behalf and
- (c) Such documents as may be required by the Company to establish the legal existence of such an entity/juridical person.

### **PART-IV: CDD Measures for Identification of Beneficial Owner**

- 9.** 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 sub-rule (3) of Rule 9 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-On-going Due Diligence**

- 10.** The Company shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.

Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- (a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- (b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- (c) High account turnover inconsistent with the size of the balance maintained.
- (d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

- 10.1** The extent of monitoring shall be aligned with the risk category of the customer.

*Explanation: High risk accounts have to be subjected to more intensified monitoring.*

## Know Your Customer (KYC) Guidelines and Anti-Money Laundering (AML) Measures

*(a) A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.*

*(b) The transactions in accounts of marketing firms, especially accounts of Multi-level Marketing (MLM) Companies shall be closely monitored.*

### **PART-6: Enhanced and Simplified Due Diligence Procedure:**

**11. Accounts of Non-face-to-face customers:** Company shall ensure that the first payment is to be effected through the customer's KYC-complied account, for enhanced due diligence of non-face to face customers.

#### **12. Accounts of Politically Exposed Persons (PEPs):**

(i) the Company shall have the option of establishing a relationship with PEPs provided that:

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

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

#### **13. Customer's accounts opened by Professional Intermediaries:**

The Company shall 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 shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.
- (c) The Company shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.
- (d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of the Company, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of the Company, the Company shall look for the beneficial owners.

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- (e) The Company shall, at their 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.

### 14. 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 as per the following procedure:

- a) The Company shall carry out :

- (i) PAN verification from the verification facility available with the issuing authority and
  - (ii) Authentication, of Aadhaar Number already available with the Company with the explicit consent of the customer in applicable cases.
  - (iii) In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
  - (iv) Certified copy of OVD containing identity and address shall be obtained at the time of periodic updation from individuals except those who are categorised as 'low risk'. In case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect shall be obtained.
  - (v) In case of Legal entities, the Company shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- b) The Company may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD / Consent forwarded by the customer through mail/ post, etc., shall be acceptable.
- c) The Company shall ensure to provide acknowledgment with date of having performed KYC updation.
- d) The time limits prescribed above would apply from the date of opening of the account / last verification of KYC.

**CHAPTER-VI**  
**RISK MANAGEMENT**

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

The following elements of the Company would manage the Risk arising out of the non compliance to PMLA:

(a) As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk parameters for risk categorization of customers is as under -

(A) Low risk customers will be individuals (excluding high Net Worth) and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile. In these cases, only the basic requirements of verifying the identity and location of the customer have to be met. Illustrative examples of low risk customers is as under:

- i. Salaried employees with well defined salary structures
- ii. People belonging to government departments, regulators, statutory bodies
- iii. People working with government owned companies, regulators and statutory bodies, etc.
- iv. People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- v. People working with Public Sector Units

(B) 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 shall apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive „due diligence“ for higher risk customers, especially those for whom the sources of funds are not clear. Examples of high risk customers requiring higher due diligence may include:

- Non-resident customers,
- High net worth individuals, without an occupational track record of more than 3 years.
- Trusts, charities, NGOs and organizations receiving donations
- Companies having close family shareholding or beneficial ownership,
- Firms with 'sleeping partners',
- Politically exposed persons (PEPs) of foreign origin,

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- Non-face to face customers,
- Those with dubious reputation as per available public information, etc.

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

The 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 Company should examine the background and purpose of transactions with persons from jurisdictions included in the Financial Action Task Force (FATF) Statements and countries that do not or insufficiently apply the FATF Recommendations. Further, if the transactions have no apparent economic or visible lawful purpose, the background and purpose of such transactions should, as far as possible, be examined and written findings together with all the documents should be retained and made available to the Reserve Bank/ other relevant authorities, on request. The Recommendations made by the Financial Action Task Force (FATF) on Anti-money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards would also be used in risk assessment.

### **CHAPTER-VII** **MONITORING OF TRANSACTIONS**

#### **16. Ongoing monitoring is an essential element for effective KYC procedures. However, the extent of monitoring will depend on the risk categorization of the account.**

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 may prescribe various methods for calculating the threshold limits for a particular category of accounts and pay particular attention to the transactions which may exceed these limits.

Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer would particularly attract the attention of the Company. High-risk accounts have to be subjected to intensified monitoring. The Company shall set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors.

The Company should put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures.

**CHAPTER-VIII**  
**MISCELLANEOUS**

**17. Customer Education**

The Company shall educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information. The Company shall made KYC guidelines available on website, displayed in branches/ office and prepare specific literature/ pamphlets, etc., which can be made available to customer upon request, to educate the customer about the objectives of the KYC programme.

**18. Introduction of New Technologies**

The Company shall pay special attention to any money laundering threats that may arise from new or developing technologies including online transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering activities as and when online transactions are started/ accepted by the Company.

**19. KYC for the Existing Accounts**

The Company shall apply the KYC norms to the existing customers of loan accounts on the basis of materiality and risk envisaged by it for those existing loan accounts.

**20. Applicability to branches/offices and subsidiaries outside India**

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

**21. Record Management**

**The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provision of PML Act and Rules:**

- (a) maintain all necessary records of transactions between the Company and the customer, both domestic and international, for at least five years from the date of transaction;
- (b) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;

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(c) make available the identification records and transaction data to the competent authorities upon request;

### **21.1 Maintenance of records of transactions**

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

- a. All cash transactions of the value of more than rupees ten lacs or its equivalent in foreign currency.
- b. All series of cash transactions integrally connected to each other which have been valued below rupees ten lacs or its equivalent in foreign currency where such series of transactions have taken place within a month.
- c. All transactions involving receipts by non-profit organizations of rupees ten lacs or its equivalent in foreign currency.
- d. All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; any such transactions; and
- e. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3 (1) (D).

An Illustrative List of suspicious transaction pertaining to Housing Loan is given in Annexure-III A & III B

### **21.2 Records to contain the specified information**

The Company shall maintain records referred to above in Rule 3 of PMLA Rules to contain the following information:

- 21.3** the nature of the transactions.
- 21.4** the amount of the transaction and the denominated currency.
- 21.5** the date on which the transaction was conducted; and
- 21.6** the parties to the transaction.

### **21.3 Maintenance and preservation of records**

Section 12 of PMLA requires every housing finance company to maintain records as under:

- (a) records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years from the date of transactions between the clients and the Company.
- (b) records/ documents pertaining to the identification of customers e.g copies of documents, like Passport, Identity Card, Driving Licenses, PAN, Utility bills etc. will be maintained for a period of ten years from the date of cessation of transactions between the customer and the Company.

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The Company shall ensure that proper maintenance and preservation of records/ information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required, or when requested by the competent authorities upon request through the Principal Officer.

### **22. Reporting Requirements to Financial Intelligence Unit - India**

**22.1** The Company shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

*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 REs 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.*

**22.2** The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility shall be referred to. 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 which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.

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

The Principal Officer shall report information relating to cash and suspicious transactions, if detected, to the Director, Financial Intelligence Unit India (FIUIND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by NHB at the following address:

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

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

Note: Reports shall be submitted every month by the 15<sup>th</sup> day of succeeding month; FIU-IND does not accept NIL Cash/ Suspicious Reports if no such transaction occurred during a particular period.



### **23. Requirements/Obligations under International Agreements/Communications from International Agencies**

The Company shall ensure that in term in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). The details of the two lists are as under:

(a) The “ISIL (Da’esh) & Al-Qaida Sanctions List”, which includes names of individuals and entities associated with the Al-Qaida.

The updated ISIL & AlQaida Sanctions List is available at <https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/al-qaida-r.xsl>

(b) The “1988 Sanctions List”, consisting of individuals (Section A of the consolidated list) and entities (Section B) associated with the Taliban which is available at

<https://scsanctions.un.org/fop/fop?xml=htdocs/resources/xml/en/consolidated.xml&xslt=htdocs/resources/xsl/en/taliban-r.xsl>.

23.1 Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIU-IND apart from advising Ministry of Home Affairs as required under UAPA notification dated March 14, 2019.

In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/entities from time to time shall also be taken note of.

23.2 In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/entities from time to time shall also be taken note of.

23.3 Jurisdictions that do not or insufficiently apply the FATF Recommendations

(a) FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Risks arising from the deficiencies in AML/CFT regime of the jurisdictions included in the FATF Statement shall be taken into account.

(b) Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements. Explanation: The process referred to in Section 55 a & b do not preclude REs from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.\

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(c) The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.

### **24. Other Measures:**

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

- i. The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the Company and customer.
- ii. While considering the requests for data / information from Government and other agencies, the Company shall 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 transaction in housing / builder/project loans is furnished in Annexure – III for guidance of the Housing Finance Companies.

The exceptions to the said rule shall be as under:

- (a) Where disclosure is under compulsion of law,
- (b) Where there is a duty to the public to disclose,
- (c) the interest of the Company requires disclosure and
- (d) Where the disclosure is made with the express or implied consent of the customer.

#### **24.2 CDD Procedure and Sharing KYC information with Central KYC Records Registry (CKYCR)**

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

The Know Your Customer (KYC) / document(s) pertaining to all new individual accounts opened on or after November 01, 2017 have to be invariably uploaded with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

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

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

(b) The Company will have an ongoing employee training program so that the members of the staff are adequately trained in KYC/AML Measures policy. 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. The Company will educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information. The Company will ensure with 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 shall be ensured.

### **24.4 Quoting of PAN**

Permanent account number (PAN) or equivalent e-document thereof of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule 114B, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN or equivalent e-document thereof.

### **24.5 Selling Third party products:**

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

### **24.6 Adherence to Know Your Customer (KYC) guidelines by the Company and persons authorised by the Company 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, shall be fully compliant with the KYC guidelines applicable to the Company.

(b) All information shall be made available to the National Housing Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons Authorised by the Company including brokers/ agents etc. who are operating on their behalf

## Know Your Customer (KYC) Guidelines and Anti-Money Laundering (AML) Measures

(c) The books of accounts of persons authorised by the Company including brokers/agents or the like, so far as they relate to brokerage functions of the company, shall be made available for audit and inspection whenever required.

**24.7** Where the Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, The Company will follow up with the existing identified customers for KYC compliance, Closure decision if at all is required will depend upon our internal assessment and will be taken at a Senior Level of and above only after issuing due notice to the customer explaining the reasons for taking such a decision

### **25. Repeal Provisions**

With the issue of these directions, the instructions / guidelines contained in the circulars mentioned in the Appendix, issued by the National Housing Bank stand repealed.

All the repealed circulars are deemed to have been in force prior to the coming into effect of these directions.

**CUSTOMER IDENTIFICATION REQUIREMENTS  
(INDICATIVE GUIDELINES)**

**Trust/ Nominee or Fiduciary Accounts**

1. There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Company shall determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, 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. While opening an account for a trust, Company should take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/directors and the beneficiaries, if defined. If the Company decides to accept such accounts in terms of the Customer Acceptance Policy, the Company should take reasonable measures to identify the beneficial owner(s) and verify his/her/their identity in a manner so that it is satisfied that it knows who the beneficial owner(s) is/are.

**Accounts of companies and firms**

2. Companies need to be vigilant against business entities being used by individuals as a „front“ for maintaining accounts with the Company. Company should verify the legal status of the legal person/ entity through proper and relevant documents. Company should verify that any person purporting to act on behalf of the legal/ juridical person/entity is so authorized and identify and verify the identity of that person. Companies should examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. These requirements may be moderated according to the risk perception, e.g. in the case of a public company it will not be necessary to identify all the shareholders.

**Client accounts opened by professional intermediaries**

3. When the Company has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Company may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where the Company rely on the 'customer due diligence' (CDD) done by an intermediary, they should satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It should be understood that the ultimate responsibility for knowing the customer vests with the Company.

**Accounts of Politically Exposed Persons (PEPs)**

4. Politically exposed persons are individuals who are or have been entrusted with prominent public functions, 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. Companies should gather sufficient information 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. Companies should verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP should be taken at a senior level which should be clearly spelt out in Customer Acceptance Policy. Companies should also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

**Accounts of non-face-to-face customers**

5. The Company will not open any account of non-face-to-face customers.

**Annexure II**

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

Features	Documents (Certified Copy)
<p><b>Individuals</b></p> <ul style="list-style-type: none"> <li>- Legal name and any other names used</li>   <li>- Correct permanent address</li> </ul>	<ul style="list-style-type: none"> <li>(i) Passport</li> <li>(ii) PAN card</li> <li>(iii) Voters Identity Card</li> <li>(iv) Driving license</li> <li>(v) Aadhar Card</li> <li>(vi) Identity card (subject to the Company’s satisfaction)</li> <li>(vii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of Company</li>   <li>(i) Telephone bill</li> <li>(ii) Bank Account statement</li> <li>(iii) Letter from any recognized public authority</li> <li>(iv) Electricity bill</li> <li>(v) Ration card</li> <li>(vi) Letter from employer (subject to satisfaction of the Company)</li> <li>(any one document which provides customer information to the satisfaction of the Company will suffice )</li> </ul>
<p><b>Companies</b></p> <ul style="list-style-type: none"> <li>- Name of the company</li> <li>- Principal place of business</li> <li>- Mailing address of the company</li> <li>- Telephone/Fax Number</li> </ul>	<ul style="list-style-type: none"> <li>(i) Certificate of incorporation and Memorandum &amp; Articles of Association</li> <li>(ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account</li> <li>(iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf</li> <li>(iv) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf</li> <li>(v) Copy of PAN allotment letter</li> <li>(vi) Copy of the telephone bill</li> </ul>

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

<p>Partnership Firms</p> <ul style="list-style-type: none"> <li>- Legal name</li> <li>- Address</li> <li>- Names of all partners and their addresses</li> <li>- Telephone numbers of the firm and partners</li> </ul>	<ul style="list-style-type: none"> <li>(i) Registration certificate, if registered</li> <li>(ii) Partnership deed</li> <li>(iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf</li> <li>(iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses</li> <li>(v) Telephone bill in the name of firm/partners</li> </ul>
<p>Trusts &amp; Foundations</p> <ul style="list-style-type: none"> <li>- Names of trustees, settlers, beneficiaries and signatories</li> <li>- Names and addresses of the founder, the managers/directors and the beneficiaries</li> <li>- Telephone/fax numbers</li> </ul>	<ul style="list-style-type: none"> <li>(i) Certificate of registration, if registered</li> </ul>
	<ul style="list-style-type: none"> <li>(ii) Trust Deed</li> </ul>
	<ul style="list-style-type: none"> <li>(ii) Power of Attorney granted to transact business on its behalf</li> </ul>
	<ul style="list-style-type: none"> <li>(iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses</li> </ul>
	<ul style="list-style-type: none"> <li>(iv) Resolution of the managing body of the association</li> </ul>
	<ul style="list-style-type: none"> <li>(v) Telephone bill</li> </ul>
<p>Unincorporated association or a body of individuals</p>	<ul style="list-style-type: none"> <li>(i) Resolution of the managing body of such association or body of individuals</li> <li>(ii) power of attorney granted to him to transact on its behalf</li> <li>(iii) an officially valid document in respect of the person holding an attorney to transact on its behalf</li> <li>(iv) and such other information as may be required by Company to collectively establish the legal existence of such as association or body of individuals.</li> </ul>



## Know Your Customer (KYC) Guidelines and Anti-Money Laundering (AML) Measures

Officially Valid Document” (OVD) means the passport, the driving licence, 9proof of possession of Aadhaar number, the 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 and letter issued by the National Population Register containing details of name and address.

### **Provided that,**

a. where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.

b. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall be deemed to be OVDs for the limited purpose of proof of address:-

i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);

ii. property or Municipal tax receipt;

iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;

iv. letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or Regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at ‘b’ above

d. where the OVD presented 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.

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.

**Annexure III**

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

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

**Annexure III**

**II. SUSPICIOUS TRANSACTIONS PERTAINING TO BUILDER/ PROJECT LOANS  
(ILLUSTRATIVE LIST)**

- a) Builder approaching Company 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