

**AKME STAR HOUSING FINANCE LIMITED**

**POLICY ON**  
**KNOW YOUR CUSTOMER [KYC] &**  
**ANTI MONEY LAUNDERING MEASURES**

## ***CONTENTS***

### **Akme Star Housing Finance Limited**

### **POLICY ON KNOW YOUR CUSTOMER [KYC] & ANTI MONEY LAUNDERING MEASURES**

#### **1. *Introduction***

The National Housing Bank (NHB) has issued guidelines on ‘Know Your Customer (KYC) – Anti Money Laundering Standard, wherein the Housing Finance Companies (HFCs) are advised to follow certain customer identification procedure and monitoring of suspicious transactions for reporting to the appropriate authority. Further, NHB also advised the HFCs to put in place a proper policy frame work on KYC & AML duly approved by their Board of Directors. These guidelines of NHB advise HFCs to follow certain Customer Identification Procedure and monitoring transactions of a suspicious nature for the purpose of reporting it to the appropriate authority.

Pursuant to the NHB Guidelines, this policy on “KNOW YOUR CUSTOMER (KYC) norms and ANTI MONEY LAUNDERING (AML) measures” is put in place with the approval of the Board of Directors of the Company.

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

The policy has the following four key elements:

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

## **2. POLICY FUNDAMENTALS**

### **Definition of customer**

*For the purpose of KYC Guidelines, a “customer” will be defined as :*

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

## **3. APPLICABILITY:**

It may be noted that KYC – AML policy as stated in this document shall prevail over anything else contained in any other document/process/circular/ letter/instruction in this regard (KYC-AML). This policy shall be applicable to all verticals/products of the Company whether existing or rolled out in future.

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

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

- (i) No account is opened in anonymous or fictitious/benami name(s);
- (ii) Risk in terms of the location of customer and his clients and mode of payments are duly checked;
- (iii) volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk
- (iv) Customers requiring very high level of monitoring, e.g. Politically Exposed Persons will be given due consideration as mentioned at point No. 7(3)(d) below.
- (v) Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the PML Act, 2002 and NHB regulations in this regard.
- (vi) Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures, i.e. the Company is unable to verify the identify and /or obtain documents required as per the risk categorization due to non-co-operation of the customer or non-reliability of the data/information furnished to the Company.

- (vii) Permanent Address proof from new applicants will be collected. The documents which can be accepted as proof of address are mentioned in Annexure
- (viii) For existing customers who wish to preclose their loan account with as ASHFL following will be collected :
  - (a) Permanent Address proof (As per Annexure I)
  - (b) A declaration from the customer regarding source of funds being used for pre-closure of the loan account.
  - (c) Closure of the loan account authority will be restricted to authorized person at the branch.
- (v) In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
  - (a) if applicant is NRI/PIO
  - (b) if applicant is a limited company.
  - (c) if applicant is a partnership firm
- (vi) Any other circumstance where it is not possible for the applicant to be present at the branch location physically available. Necessary checks before any loan disbursement will be carried out through FI agency so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

5. The Company will prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy and as per credit risk policy and operations manual. The customer profile will contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant apart from collection of applicable documents; this will be as per our credit and product norms which are incorporated in the operation manual and are in practice. However, while preparing customer profile, the Company will seek only such information from the customer which is relevant to the risk category and is not intrusive.

The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes against monetary consideration. The Company will continue to share our client data with CIBIL and empanelled FI agencies and such other organizations/entities subject to confidentiality clause, since the purpose of sharing this information is to ensure risk minimization.

6. As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories:-
- (i) **Low risk customers** for the purpose of this policy will be individuals and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile. Illustrative examples of low risk customers could be :
    - (a) Salaried applicants with salary paid by cheque.
    - (b) People belonging to government departments,
    - (c) People working with government owned companies, regulators and statutory bodies etc.
    - (d) People belonging to lower economic strata of the society whose accounts show small balances and low turnover
    - (e) People working with Public Sector Units
    - (f) People working with reputed Public Limited companies & Multinational Companies.
  
  - (ii) **Medium Risk customers** would include :
    - (a) Salaried applicants with variable income/unstructured income receiving salary in cheque
    - (b) Salaried applicants working with Private limited companies.
    - (c) Self Employed professionals other than HNIs
    - (d) Self Employed customers with sound business and profitable track record for a reasonable period
    - (e) High Net worth Individuals with occupational track record of more than 3 years.
  
  - (iii) **High risk customers** that are likely to pose a higher than average risk to us may be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per our credit risk policy and guidelines of operations manual. Examples of high risk customers requiring higher due diligence may include:
    - (a) Non-resident customers,
    - (b) High net worth individuals, without an occupational track record of more than 3 years.
    - (c) Trusts, charities, NGOs and organizations receiving donations.
    - (d) Companies having close family shareholding or beneficial ownership,
    - (e) Firms with 'sleeping partners'
    - (f) Politically exposed persons (PEPs) of foreign origin,
    - (g) Non-face to face customers
    - (h) Those with dubious reputation as per available public information, etc.

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

## 7. Customer Identification Procedure (CIP)

- (a) Customer identification means identifying the customer and verifying his/ her / its identity by using reliable, independent source documents, data or information while establishing a relationship. The Company will obtain sufficient information such as Voter ID card, PAN number, Passport, Aadhar etc. necessary to establish, to our satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship.

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

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

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

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

In order to authenticate the identity of the person so purporting to represent the Company / Firm, Signature verification / attestation shall be done either from the Banker or copy of passport, driving license or pan card to be taken.

- (d) Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. For this The Company will collect Shareholding letter duly certified by the Company Secretary/company's Auditor/Chartered accountant and Necessary Resolution / authorization etc.
- (e) Due diligence for High risk customer identification will be as follows:
- (f) Non-resident customers, due diligence including email verification of employment of the customer, collection of a local Co-applicant OR power of attorney alongwith their identification proofs and verification of their residence/office will be done, if found necessary.
- (g) In case NRI customer is available in India in person for execution of documents, in absence of power of attorney, 2 local reference details along with their identification proofs will be collected.
- (h) High net worth individuals , with less than three years occupational track record due diligence including personal discussion with the applicant, analysis of bank statement and financial statements will be done, details of client profile, sources of fund will be obtained, if required.
- (i) Trusts, charities, NGOs and organizations receiving donations, as and when such cases are received due diligence to be undertaken as for other cases in the high risk categories.
- (j) Companies having close family shareholding or beneficial ownership, due diligence including personal discussion with the applicant will be done. In case of company's proportionate income being considered to the extent of the customer's Shareholding in the company- board resolution authorising the director(s) to sign on behalf of the company will be collected. Also signature verification of the person(s) issuing the board resolution will be collected, if necessary.
- (k) Firms with 'sleeping partners', due diligence including personal discussion with the applicant will be done. If income of the partnership firm is being considered then the Company will collect a letter signed by all the partners authorising the concerned partner(s) to sign on behalf of the partnership to be continued. Also signature verification of the person(s) issuing this authority letter will be collected, if necessary.
- (l) **Politically Exposed Persons** 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. The above norms may also be applied to the accounts of the family members or close relatives of PEPs

**Note:** Sufficient information should be gathered on any person/Customer of this category intending to establish a relationship and diligently check the information available on the person in the public domain.

**Further acquisition of above category shall be subject to procedures as** clearly spelt out under point No. 7 in Customer Acceptance Policy (CAP)

- (m) Non-face to face customers, due diligence including telephonic/personal discussions be done, if required. Information from reliable sources will be obtained for establishing the existence of the person.
- (n) Those with dubious reputation as per public information available, etc. If found dubious then the case will not be entertained.
- (o) **Customer identification requirements in respect of a few typical cases**, especially, legal persons requiring an extra element of caution are given below:

**(p) Trust Nominee or Fiduciary Accounts :**

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Hence, as and when such cases are received, the Company will determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. In the case of a 'foundation', steps will be taken to verify the founder managers/directors and the beneficiaries, if defined.

**(q) Accounts of companies and firms**

The Company will be careful while processing the cases of business entities especially to establish that individuals are not using those entities for maintaining accounts with it. The Company shall seek information, if required, on the control structure of the entity, source of funds and the natural persons who carry a controlling interest in the management. These requirements may be moderated as per our credit risk policy and guidelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.

**(r) Client accounts opened by professional intermediaries**

When the Company has knowledge or reason to believe that the client account opened by a professional intermediary like Direct Selling Agent or Direct selling team or any other sales intermediary by whatever name called is on behalf of a single client, that client will be identified. Where the Company relies on the 'customer due diligence' (CDD) done by an intermediary like Field investigation agency or technical agency or lawyer or any other operation processing intermediary by whatever name called, the Company will ensure that the intermediary is having a bonafide identity with an established track record.

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

**A). Customer Screening :**

The Company shall verify the identity of the person and seek information about the source of fund before accepting PEP as a customer / depositor.



Particularly for on boarding the loan customers, the Company shall have a risk based approach which includes the following:

- (t) Customers falling under PEP shall be categorized as High Risk category
- (u) Enhanced customer profiling will be done on customer's identity, social/financial status, and nature of business activity, and information about the clients' business and their location etc. including beneficiary interest & end use of funds.

The risk assessment procedure begins with screening of the name/s of the Customers against the screening list maintained by the Company in form of Internal De duplication check (Dedupe), the reports and guidance notes on KYC/AML issued by the regulatory authority.

**B). Sanctioning Procedure :-**

- (v) PEPs case should be classified under separate PEP flagging and to process the case than risk assessment should be done by Head office Credit and Controllershship team.
- (w) MD approval & Positive FI should be taken prior to sanctioning the case.

**C) Transaction Monitoring :-**

Ongoing monitoring is an essential element of effective KYC procedures. Effective control and reduction of risks is possible only if there is a clear understanding of the normal and reasonable activity of the Customer. This would in turn enable the Company to identify the Transactions that fall outside the regular pattern of activity.

**Following are some types of Transactions which should be closely monitored:**

- (x) All complex, unusually large Transactions and all unusual patterns which have no apparent economic or visible lawful purpose.
- (y) Cash Transaction in account:
- (z) Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the Customer.
- (aa) Transactions involving cash of Rs.10 lakh and above.

Enhanced Monitoring shall include

(a) <u>Monitoring of accounts performance</u>	<u>By Risk Department</u>
(b) <u>Renewal of KYC – after every 3 years</u>	<u>By Operations Department</u>

**(bb) Accounts of non-face-to face customers:**

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, the Company will do telephonic/personal discussion with the applicant, if necessary. Applicant will be met by the Sales representative of the Company and will fill up the meeting sheet on that basis to mitigate the higher risk involved, as applicable. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for and applicable verification of these documents will be done. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company may have to rely on third party certification/introduction. In such cases, it will be ensured that

generally the third party is a regulated and/or supervised entity with an established track record. Hence apart from the existing due diligence for such customers The Company may take resident Indian Co-applicant as a party to the loan proposal or a local resident guarantor to the loan with identity verification.

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

#### 8. **Monitoring of Transactions**

- (a) Ongoing monitoring is an essential element of effective KYC procedures. Since The Company is a housing finance company and all our loans are tenure based with a fixed/variable installment paid through electronic clearing system (ECS) mandate or postdated cheques our monitoring structure will be relevant to our nature of operations. The Company will pay special attention to all unusually large transactions involving large cash and the Company has introduced cash transaction reporting system above Rupees ten lakh. Risk categorization as is mentioned in this policy may be updated as and when required by the management. In case of overdue/default accounts where there is scope for meeting or vetting the profile of this customer again, due diligence if found necessary will be carried out. Subsequent to our sanction, during the period of part disbursement till full disbursement if any unusual transaction/development comes to our knowledge relating to money laundering the same will be verified and notified as required, The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company will ensure that transactions of suspicious nature as defined in Annexure II and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority, as and when detected by our officials through the Principal Officer.
- (b) The Company will maintain proper record in accordance with the PML Act, 2002, of all cash transactions (deposits and withdrawals) of Rupees Ten Lakh and above. As a matter of policy, the Company does not accept deposits in cash over Rupees Ten Lakh, No loan is disbursed in cash and No monthly installment above Rupees Ten Lakh is accepted in cash. Any transactions of suspicious nature as per **Annexure II** are to be reported to the Principal Officer immediately. In addition thereto, the Branches shall on monthly basis furnish a certificate to the Principal Officer evidencing that neither such prohibited transactions and/nor cash transaction as specified in the policy have taken place.
- (c) The Company and all its Branches / Offices while reporting the STR shall be guided by and follow the guidelines as specified in the '**Guidance Note on Effective Process of STRs Detections And Reporting for Housing Finance Sector**, issued by Financial Intelligence Unit – India (FIU), Ministry of Finance in consultation with National Housing Bank dated 30<sup>th</sup> December, 2015. The Red Flag Indicators (RFI) / Parameters for, STR identification as specified in the subject guidance note being made part of this Policy as **Annexure III** for reporting of STRs.

## 9. Risk Management

### **(a) Internal Audit :**

The Company's internal audit department will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Internal Auditors may specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board along with their normal reporting frequency. A compliance conformation from Branch will be obtained by the Principal Officer.

### **(b) Employee Training :**

The Company will have an ongoing employee training program so that the members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

### **(c) Customer Education :**

The Company will educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information.

### **(d) Introduction of New Technologies:**

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

### **(e) KYC for the Existing Accounts:**

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

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

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

to the customer explaining the reasons for taking such a decision.

**(g) Applicability to branches and subsidiaries outside India**

Not applicable.

**(h) Appointment of Principal Officer :**

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

**(i) Maintenance of Records of Transactions ( As per Rule 3 of the Prevention of Money Laundering Rules 2005) :**

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

- (i) All cash transactions of the value of more than rupees one million or its equivalent in foreign currency, though by policy the Company do not accept cash deposits in foreign currency.
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees one million or its equivalent in foreign currency where such series of transactions have taken place within a month.
- (iii) All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; any such transactions
- (iv) All suspicious transactions as mentioned in **Annexure II**

**(j) Information to be preserved :**

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

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

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

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

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

**(l) Reporting to Financial Intelligence Unit – India**

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

**Director, FIU-IND,**  
Financial Intelligence Unit-India,  
6<sup>th</sup> Floor, Hotel Samrat,  
Chanakyapuri  
New Delhi-110021

**10 Miscellaneous**

**Compliance under Foreign Contribution (Regulation) Act, 1976**

**Not applicable**

## Annexure I

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

Features	Documents ( Certified Copy)
<b>Individuals</b> Legal name and any other names used	<p>(i) Passport (ii) Pan Card (iii) Voter's Identity Card (iv) Driving License (v) Identity Card (subject to Company's satisfaction (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company (vii) Aadhar</p> <p>No other document will be accepted as Officially Valid Documents (OVD) for ID proof. In view of the change in the definition of 'Officially Valid Documents,' henceforth, only the documents mentioned in the revised PML Rules would be accepted. The Company does not have any discretion to accept any other document for this purpose.</p> <p>Further, in addition to the above documents the Company shall also accept the below mentioned documents as proof of identity and address:</p> <p><b>I.</b> E-KYC services of Unique Identification Authority of India (UIDAI) – through which the information containing demographic details and photographs is made available from UIDAI as a result of e-KYC process through Aadhaar based One Time Pin (OTP). However, for the purpose the individual / customer has to authorize the UIDAI by explicit consent to release his / her identity / address through biometric identification to the Company's branches / offices.</p>

	<p><b>II.</b> e-Aadhar downloaded from UIDAI website, subject to the following :</p> <p>a) If the prospective customer knows only his / her Aadhaar number, the Company may print the prospective customer's e-Aadhaar letter in its branch/ office directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in paragraph I above;</p> <p>b) If the prospective customer carries a copy of the e-Aadhaar downloaded elsewhere, the Company may print the prospective customer's e-Aadhaar letter in its branch/office directly from the UIDAI portal; or adopt e-KYC procedure as mentioned in I above; or confirm identity and address of the resident through simple authentication service of UIDAI.</p> <p><b>III.</b> Physical Aadhaar card/ letter issued by UIDAI containing the details of name, address and Aadhaar number received through post.</p>
<p>Correct permanent address for proof of residence of individuals</p>	<p>(i) Telephone bill  (ii) Account Statement  (iii) Letter from any recognized public authority.  (iv) Electricity bill  (v) Ration Card  (vi) Aadhaar card.  (vii) Letter from Employer (Signed by HR/Proprietor / Owner), subject to satisfaction of the Company.  (viii) Any one documents which the customer provides to the satisfaction of the Company</p>

	<p>will suffice, which may include the following :</p> <ul style="list-style-type: none"> <li>a) Leave &amp; License Agreement or Rent Agreement having the validity as on date of entering into a relationship with the Company;</li> <li>b) Piped Gas Connection Bill/Post Paid Mobile Bill (carrying the present address of the customer, provided that the said bills are not older than 3 months);</li> <li>c) A person not having an address proof in his/her own name may provide an address proof (as accepted by the Company) of any close relative (e.g...Spouse, son, daughter, parents) supported by a document establishing their relationship (e.g. PAN Card, Passport, Birth Certificate. etc.) supported with a declaration that the said customer is residing with the relative whose address proof is being provided to the Company;</li> <li>d) Acceptance of notarized affidavit as address proof in the rural areas.</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) Copy of PAN allotment letter</li> <li>(v) Copy of the telephone bill</li> </ul>
<p><b>Partnership Firms</b></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><b>Trusts &amp; Foundations</b></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 Telephone/fax numbers</li> </ul>	<ul style="list-style-type: none"> <li>(i) Certificate of registration, if registered</li> <li>(ii) Power of Attorney granted to transact business on its behalf</li> <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> <li>(iv) Resolution of the managing body of the foundation/association</li> <li>(v) Telephone bill</li> </ul>
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**NOTE :**

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

## **Annexure II**

### **LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING LOANS:**

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

### **RED FLAGS / PARAMETERS TO IDENTIFY STR**

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

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

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

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

As such the suggested RFIs are essentially situations that would require further analysis as they have the potential of being a STR. The Principal Officers are expected to sensitise the respective HFCs of the RFIs and should there be adequate justification, the RFIs may then be reported as STRs to the Principal Officer for further reporting to the FIU. Mere sighting of the enumerated situations is not expected to be reported as a STR on an “as is” basis as the same is in the nature of possible trigger of reporting as a STR and should be accordingly reported after adequate diligence and with proper justification.

As indicated above, the note also identifies situations that may generate Auto triggers within the system of a HFC which may automatically be referred to the respective Principal Officer for reporting as a STR.

There are certain parts (as specifically indicated) that would need to be assessed by each HFC, in lines of its business practises, and determine the point of trigger of the RFI for the said HFC. Upon such identification, all HFCs are expected to approve the RFIs by their Board and incorporate the same as a part of their respective KYC policy.

Thus in order to ensure effective reporting of STRs, the note identifies the following transactions/ situations as RFIs which (upon adequate diligence and justification) may be identified as a Suspicious Transaction and then onward reported as a STR.

**Part A: RFIs that are Customer Centric:**

Sr. No.	Sub- Category	Types
1.	Identity of Customer	<ul style="list-style-type: none"> <li>a. Submission of false Identification Documents.</li> <li>b. Customer holding multiple PAN.</li> <li>c. Identification documents which could not be verified within reasonable time or replaced with another set of Identification documents.</li> <li>d. Accounts opened with names very close to other reputed business entities.</li> <li>e. Customer uses aliases and a variety of similar but different addresses.</li> <li>f. Customer spells his or her name differently from one transaction to another, without justification.</li> <li>g. Name of customer indicated differently in different KYC documents enabling creation of multiple customer identities.</li> <li>h. A customer/company who is reluctant or refuses to provide complete information, data, documents and to reveal details about its activities or to provide financial statements /Employment related documents / KYC documents.</li> </ul>

		<p>Doubt over the real beneficiary of the loan account</p> <ul style="list-style-type: none"> <li>i. The customer is reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons.</li> <li>j. The customer approaches a branch/office of a HFC, which is away from the customer’s residential or business address provided in the loan application, when there is HFC branch/office nearer to the given address.</li> <li>k. Changes in mailing address of the Customer more than [twice]* in last 6 months</li> <li>l. Unusual capital, partnership, management or employment structure of companies compared to other institutions in the same sector or general company structure.</li> <li>m. Current data not updated with relevant regulatory authorities, without justification.</li> <li>n. Existing or new partners/shareholders abstaining from giving information about their personal and commercial background, having indications that they did not have interest, education or experience in the field in which the company operates</li> </ul>
2.	Background of a customer	<ul style="list-style-type: none"> <li>a. The customer details matched with watch lists (e.g. UN list, Interpol list etc.)</li> <li><b>b. Notice/Letter from a law enforcement agencies / Regulators/ Other Government Agencies:</b> In case of such notices received, Principal Officer should be informed for further action /advise on</li> </ul>

		<p>the matter. This notice shall be treated as an alert to analyse the transactions in such accounts and if the transactions appear to be suspicious the same should be included in the STR along with the details mentioned in the “Ground of Suspicion”. These Accounts are to be reported even if they are closed.</p> <p>c. <b>Adverse Media / Public News:</b> Branches / offices should check for adverse media coverage with the names of the customer. The names of customers that are pointed as suspects or accused in such reports shall be searched and in case of matches the same may be further internally analyzed for reporting purposes.</p> <p>d. Customer shows income from “foreign sources” on loan application without providing proper documentation.</p>
3.	Credit bureau Information	a. Multiple addresses reflecting against the name of the customer which has not been shared / or does not match with the employment history / residence details provided.

**Part B: RFIs that are Transaction / Loan Account Centric:**

Sr. No.	Sub- Category	Types
1.	Multiple Accounts	<p>a. Use of Bank A/c’s of Third Parties for payment of EMIs at more than [*] occasions.</p> <p>b. Change in the bank account from which PDC/ ECS are issued more than [*] in last [6/12*]</p>

		<p>months</p> <p>c. Total amount of payments through DD, Cash and 3<sup>rd</sup> party Cheques valued at [*] EMIs / part payments in last 30 days</p> <p>d. Customer appears to have recently established a series of new relationships with different financial entities.</p>
2.	Nature of Activity in an Account	<p>a. Unusual activity compared with past transactions.</p> <p>b. Encashment of loan amount by opening a fictitious bank account.</p> <p>c. Activity inconsistent with what would be expected from declared business/profile of the customer.</p> <p>d. Part closure to the extent of [*] % or more of the loan amount in one or more occasions within 6 months.</p> <p>e. Loan Accounts with original tenor of more than 1 year are foreclosed within 6 months after disbursement of loan.</p> <p>f. Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.</p> <p>g. Overpayment of instalments in cash with a request to refund the excess amount.</p> <p>h. Customer conducts transactions at different physical locations in an apparent attempt to avoid detection.</p> <p>i. Customer presents confusing details about the</p>

		<p>transaction or knows only few details about its purpose.</p> <p>j. Customer's home or business telephone number has been disconnected or there is no such number when an attempt is made to contact customer shortly after opening account.</p> <p>k. Account indicated by customer to receive interest payment against a deposit placed is attached by Government Authorities</p>
3.	Nature of transactions	<p>a. Unusual or unjustified complexity shown in a Transaction that may normally be done in simpler manner.</p> <p>b. Initial contribution made through unrelated third party accounts without proper justification;</p> <p>c. No economic rationale or bonafide purpose behind the transaction.</p> <p>d. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount</p> <p>e. Suggesting dubious means for the sanction of loan or placing a deposit.</p> <p>f. PAN not disclosed but multiple deposits raised (across branches to avoid TDS).</p>



4.	Value of transactions	<ul style="list-style-type: none"> <li>a. Value just under the reporting threshold amount in an apparent attempt to avoid reporting.</li> <li>b. Multiple related cash transactions which are broken to just below the following thresholds: <ul style="list-style-type: none"> <li>i) Rs.50,000/- in a day</li> <li>ii) Rs.10,00,000/- in a month</li> </ul> </li> <li>c. Value inconsistent with the client's apparent financial standing.</li> <li>d. Deposits made in cash amounting to Rs[*]and above and without details of source.</li> </ul>
5.	Transaction amongst family members	Transaction between members of the same family to avail a loan wherein there is no genuine transaction / rationale.
6.	Transaction more than specified percentage of the EMI, paid in cash by a Delinquent Borrower.	Delinquent borrower for more than 6 months repays the loan in cash beyond [twice]* the original EMI.

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

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

Sr. No.	Sub- Category	Types
1.	Cash payment indicated in the Sale Deed/Agreement	Cash payment shown as consideration paid to the seller for purchase of a property and the source of which cannot be explained or proof not provided by the customer.
2.	Valuation of property	Valuation of property shown considerably lower in the sale deed than the government approved rate / RESIDEX, especially on sale deeds executed within a period of 12 months.
3.	Change in Ownership without rationale	Converting/changing the individual properties in the name of Company/Trust/HUF/Partnership Firm/LLP by executing a sale deed at a low price or by way of any type of agreement , attorney , arrangement (registered or not) and subsequently in quick succession further transaction is shown at a considerably higher amount in favour of third parties.
4.	Refusal to share own Contribution details	Specifically in cases where the source is specified as "Funds from Family" and the customer fails or refuses to divulge any information or proof on where the concerned family member is providing the funds from.
5.	Property repurchased	Customer buys back a property that he or she recently sold without justification

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

SN	Scenario	Indicator/ Trigger
1	Foreclosure by a customer in a very short period	Loan Accounts with original tenor of more than 1 year are foreclosed within 6 months after disbursal of loan.
2	Frequently change in repayment bank account during currency of account	Change in the bank account from which PDC/ ECS are issued more than [*] in last [6/12] months
3	Negative information about customer through external sources/ database or Notice received from any Agency / Regulator/ Other Government Agencies	<p>a. The customer details matched with watch lists (e.g. UN list, Interpol list etc.)</p> <p>b. <b>Notice/Letter from a law enforcement agencies / Regulators/ Other Government Agencies:</b> In case of such notices received, Principal Officer should be informed for further action /advise on the matter. This notice shall be treated as an alert to analyse the transactions in such accounts and if the transactions appear to be suspicious the same should be included in the STR along with the details mentioned in the “Ground of Suspicion”. The Accounts are to be reported even if they are closed.</p> <p>c. <b>Adverse Media / Public News:</b> Branches / offices should check for adverse media coverage with the names of the customer. The names of customers that are pointed as suspects or accused in such reports shall be searched and in case of matches the same may</p>

		be further internally analyzed for reporting purposes
4	Frequent change of Address without reasonable explanation	Changes in mailing address more than [twice]* in last 6 months
5	Account having a large volume of repayments by depositing DD, Cash and 3 <sup>rd</sup> party Cheques	Total amount of payments through DD, Cash and 3 <sup>rd</sup> party Cheques valued at [*] EMIs / part payments in last 30 days
6	Transaction more than specified percentage of the EMI, paid in cash by a Delinquent Borrower.	Delinquent borrower for more than 6 months repays the loan in cash beyond [twice]* the original EMI.
7	Cash transactions	Multiple related cash transactions which are broken to just below the following thresholds: i) Rs.50,000/- in a day ii) Rs.10,00,000/- in a month
8	Part payments	Part closure to the extent of [*] % or more of the loan amount in one or more occasions within 6 months.
9	Separate bank accounts	Use of Bank A/c's of Third Parties for payment of EMIs at more than [*] occasions.

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

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

- a) Builder approaching the HFC for a small loan compared to the total cost of the project-;
- b) Builder is unable to explain the sources of funding for the project;
- c) Approvals/sanctions from various authorities are proved to be fake;
- d) Builder retains substantial number of the Units in the Project in his or his family members names
- e) Builder has known political connections / shareholders or directors of his company are individuals with suspicious background

- f) Frequent Reconstitution of partnership/ proprietorship without justification.
- g) Allotting different numbers to the same flat in different style/order.

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