

INDIA HOME LOANS LIMITED

KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING (AML) POLICY OF INDIA HOME LOANS LIMITED (HILL):

1. Preamble:

National Housing Bank (NHB) has issued guidelines on Know Your Customer (KYC) and Anti-Money Laundering (AML) vide its circular bearing NHB/ND/DRS/POL- No. 33/2010-11 dated October 11, 2010 advising Housing Finance Companies (HFCs) to ensure that a proper policy framework on 'Know Your Customer' and 'Anti-Money Laundering Measures' is put in place and to follow certain customer identification processes for opening of accounts and monitoring transactions of suspicious nature keeping in view the possibility of the use of money through these accounts for criminal and other unlawful purposes for which a new legislation namely Prevention of Money Laundering Act 2002 has been framed. HFCs were required to frame their own KYC & AML policy keeping in view the broad guidelines circulated by NHB in this regard, and implement the same after seeking the requisite Board approval. Accordingly, India Home Loans Limited ("Company") has framed the following KYC & AML Policy.

2. Main Objective of the Policy:

The key objective of the KYC & AML policy is to ensure that the Company's money is not used, intentionally or unintentionally, directly or indirectly, for any unlawful and prohibited activities or purpose particularly those which are covered by Prevention of Money Laundering Act 2002(PMLA). At the same time KYC & AML Policy will also enable the Company to have more transparent and specific information about their customers and their financial dealings which will enable the Company to effectively determine risk level involved in different loan transactions and will help the Company to undertake effective risk management.

KYC & AML Policy will be applicable to all types of customers including individual, partnership firms, employees, corporate entities, associations, trusts, societies or any other entity having a legal status. This policy will also cover those persons who are the real beneficiaries of the credit facilities extended by the Company and those who represent such persons or entities.

2.1 Key Elements

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

2.2 Who is a Customer under the KYC Policy?

- A person or entity that maintains an account and/or has a business relationship with the Company (home loan customers and depositors) or One on whose behalf the account is maintained (i.e. the beneficial owner);
- Beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law, and
- Any person or entity connected with a financial transaction which can pose significant Reputational or other risks to COMPANY, say, a wire transfer or issue of a high value demand Draft as a single transaction.
- KYC guidelines will also be applicable to associates/agencies/intermediaries associated with COMPANY as follows:
 - Empanelled lawyers,
 - Empanelled valuers
 - Vendors providing services like Selling Agents, Direct Selling team, Collection Agencies, Verification Agencies etc.
 - Builders
 - Seller of property being financed by India Home Loans Limited;
 - Any other intermediary

The Company will collect legal name and entity/Identity proof, permanent address proof as per Annexure 1 for various types of associates/agencies/intermediaries captioned above.

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

A. CUSTOMER ACCEPTANCE POLICY (CAP)

a) Norms and Procedures:

Following norms and procedures will be followed by the Company in relation to its customers who approach the Company for availing loan facilities.

While taking decision to grant any one or more credit facility to customers as well as during the continuation of any loan account of the customer the following norms will be adhered to by the Company:

- i) No loan account will be opened nor any loan will be disbursed in a name which is anonymous or fictitious or appears to be a name borrowed only for the purpose of opening the loan account i.e. Benami Account. Company shall insist for sufficient proof about the identity of the customer to ensure his physical and legal existence at the time of accepting the application form from any customer.
- ii) All such loan requests where the customer, without sufficient cause, does not provide information and documentary evidence in terms of the requirements outlined by the Company in loan application form, to the satisfaction of the Company will not be processed unless the customer has genuine difficulty or reason for not providing such information, but the Company even in the absence of the such information is otherwise satisfied about the identity and credentials of the customer on the basis of independent verification conducted by the Company at its own level without the knowledge of the customer.
- iii) While collecting information from the customers about his identity, work place, status, financial resources, the business shall keep in mind the obligations of Company as Housing Finance Company laid down under PMLA and Rules or Regulations framed there under, directions issued by NHB or any other Government agency on the matters relating to maintenance and furnishing of information by financial institutions to the authorities constituted under PMLA or any other authorities empowered under law to seek any information from the company about the customers.
- iv) Circumstances, in which a customer is permitted to act on behalf of another person/entity, shall be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity
- v) Company shall not open any account or give any loan nor sanction any loan in the following circumstances:
 - a) Company is unable to verify the identity of the customer;
 - b) Customer without any valid or convincing reasons refuses to provide documents to the Company which are needed to determine the risk level in relation to the customer loan applied for by the customer and his paying capacity;

c) Information furnished by the customer does not originate from the reliable sources or appears to be doubtful due to lack of supporting evidence.

d) Identity of the customer, directly or indirectly matches with any individual terrorist or terrorist or prohibited/unlawful organizations, whether existing within the country or internationally, or if the customer or beneficiary is found, even remotely, to be associated with or affiliated to any illegal, prohibited or unlawful or terrorist organization as notified from time to time either by Govt. of India, State Govt. or any other national or international body/organization.

(v) Subject to the above mentioned norms and caution, at the same time all the employees of Company will also ensure that the above norms and safeguards do not result in any kind of harassment or inconvenience to bonafide and genuine customers who should not feel discouraged while dealing with Company.

b) Risk Level Categorization:

(I) There will be level-wise categorization of customers i.e. Level-I, Level-II and Level-III. Such levels will be decided on the basis of risk element involved in each case which will be determined by considering the following information submitted by the customer:

- a) Nature of business of the Customer.
- b) Work place of customer and of his clients.
- c) volume of business six monthly/annual turn-over.
- d) social and financial status
- e) quantum and tenure of loan facility applied for and proposed schedule for repayment of loan

(II) Company shall categorize its customers on the basis of the risk perceived. Normally, Level-I customers would be salaried employees having definite and well-defined salary structure, employees of Government Departments or Government owned companies, statutory bodies, people belonging to low income group whose financial resources although show small balance in their bank accounts and low turnover, but on the other hand indicate regular and consistent flow of financial returns/income showing capacity to repay without default.

(III) Information to be collected from the customers will vary according to categorization of customer from the point of view of risk perceived. Special care and diligence will be taken and exercised in respect of those customers who happen to be high profile and/or politically exposed persons within or outside country. Such persons will include foreign delegates or those working in foreign high commissions or embassies, senior politicians, senior judicial officers, senior military officers, senior executives of state owned corporations and officials of important and leading political parties (as explained in Annexure - 2).

(IV) The profile of new customers will be prepared on risk categorization basis. Such profile will contain the following information about the new customers:

a) Customer's Identity;

b) Social and financial status of the customer;

c) Nature of the business activity;

d) Information about the business of the customer's clients and their locations;

V) Cases where the Company is likely to incur higher risk will be categorized as medium or high risk customers and will be placed in medium or high risk category i.e. Level-II or Level-III category. In such cases the Company will apply higher due diligence measures keeping in view the risk level. While placing the customers in the above categories, the Company will give due consideration to the customer's background, country of his origin, nature and location of his business activities, source of funds and profile of customer's clients etc.

VI) The extent of due diligence requirement will vary from case to case as the same will depend upon risk perceived by the Company while granting credit facilities to customers. For the purpose of preparing customer profile only such relevant information from the customers will be sought based on which the Company can easily decide about the risk category in which the customer is to be placed. Ordinarily, the customer profile maintained by the Company will be kept confidential save and except where the customer himself allows and/or gives consent for the use of the information given in customer profile/application form for the purpose of offering other products/services of other companies/entities belonging to the Company's Group or any other legal entity with whom the Company is having any business tie-ups. However, while taking any such permission or consent of the customer for using his above referred information provided to the Company, it will be ensured that such permission/consent of the customer is unambiguous and explicit.

VII) Cases in which the risk level is higher will require intensive due diligence exercise. Such cases will include those where the source of funds to be used for business operations or sources to repay the loan to the Company are not clearly disclosed or can not be ascertained from the financial statements submitted by the customer to the Company.

Besides above, some of such customers in whose cases the Company will require higher due diligence measures are mentioned below:

a) NRI Customers;

b) Trusts

c) Societies;

d) Charitable Institutions;

e) NGOs and other organizations receiving donations from within or outside the country.

f) Partnership firms with sleeping partners;

g) Family owned Companies;

h) Persons with dubious or notorious reputation as per the information available from different sources like media, newspapers etc.

i) Companies having close family shareholding or beneficial ownership.

j) Politically exposed persons (PEPs) of foreign origin means individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, Senior Government, important political officials.

The following due diligence must also be performed on prospective Business Partners:

1. Individual Business Partners:

A) Verify Identity:

i. In the case of privately owned Business Partners not well-known in the local market, obtain originals of and file legible copies of identification documents which contain photographs of the individual. Acceptable examples include:

1. Passports (obtain all nationalities an individual may have)
2. PAN Card
3. Driver's licenses

ii. Face-to-face meetings with the Business Partner are required prior to initiation of any financial relationship.

B) Verify domicile of residence:

1. Example: Obtain copies of utility bill receipts or other form of objective verification of residence
2. Where possible, check the Telephone numbers against a "directory" of telephone numbers to verify address.

C) Verify source of income:

1. Obtain bank references where permissible

2. Legal Entity Business Partners:

A) Verify Identity:

- i. Obtain and file legible copies of corporate formation and registration documents or public company prospectuses and government filings.
- ii. TAN Card/PAN Card of the Directors etc.
- iii. Where possible (in the case of privately owned entities), arrange for recommendation from legal counsel to the Company.
- iv. Where possible (in the case of privately owned entities), obtain from appropriate government entity confirmation of due incorporation and existence of the corporation.

B) Verify source of income:

- i. Research Company in available news or business databases and obtain all corporate earnings information available.

The Company shall maintain files on each Business Partner with copies of all data obtained and memorialize in writing all verification efforts. These files may be maintained electronically and should be accessible quickly when needed.

3. Employees:

The Company shall perform the following Due Diligence on Prospective Employees prior to giving them a Letter of offer for employment with the Company.

1) Verify Identity:

- A) Obtain originals of and file legible copies of identification documents that contain photographs of the individual. Acceptable examples include:
- B) Passports (obtain all nationalities an individual may have)
- C) Driver's licenses

2) Verify domicile of residence:

- A) Example: Obtain copies of utility bill receipts or other form of objective verification of residence

3) Verify Last 1 years Employment record:

- A) Obtain and call the previous employer to check the credentials of the prospective employee.
- B) Check & verify the address of employee.

4) Check references:

- A) Obtain 2 or more employment references from the prospective employee.
- B) The prospective manager of the employee, or, the Human Resources department, must personally converse with the prospect's references

The Company shall maintain files for each employee hired together with copies of all data obtained. Memorialize in writing all verification efforts. These files may be maintained in electronic or physical form and should be accessible quickly when needed. Further these files will be classified as confidential data and details contained therein shall not be divulged for cross selling or any other purpose.

c) Purposeful Implementation:

Purpose of adopting the above measures and norms while taking decisions on the issue of customer acceptance is two fold. Firstly, the Company should not suffer financially at later stage due to lack of proper due diligence exercise and lack of information which is the exclusive possession of the customers. Secondly, to curb, and prevent any such practice by the customers which is aimed to achieve unlawful objectives or any other practice by which the financial institutions can be used to perpetuate any criminal or unlawful activities which is detrimental to the society as well as national interest. However, at the same time, this policy does not aim or intend to deny the benefit of financial services to those who genuinely need such services/facilities due to real lack of their own sufficient financial resources.

B. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer identification means identifying the customer and verifying his / her identity by using reliable, independent source documents, data or information. The Company needs to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being risk perception, the nature of information / documents required would also depend on the type of customer (individual, corporate etc.)

a. Need for photographs:

- Passport size photographs should be obtained from borrowers, guarantors and depositors
- In the case of joint accounts, partnership accounts, accounts of Societies, clubs, HUF, Trust and those of minors etc photographs of the Authorized Signatories should be obtained;
- In case of change in the Authorized Signatories, photograph of the new signatory should be obtained duly countersigned by the competent authorities of the concerned Institution /organization ;
- Photographs should be obtained in NRI accounts
- Where the account is operated by the letters of Authority or Power of Attorney Holder photograph of the authority holder should be obtained duly attested by the Borrower/depositor.

b. Proof of customers' address:

1. Accounts of Individuals: In order to confirm the correctness of the address given by the account holder in the account opening form any one of the following documents of the account holder may be obtained for verifying the address there from;

- Driving License
- Passport
- PAN card
- Telephone / Electricity Bills
- Rent receipt
- Municipal / Assessment Order
- Income Tax Assessment Order
- Voter's identity Card
- Identity Card containing the address issued by the employer (subject to satisfaction of the Company)

A Photostat copy of the above proof should be filed along with the account opening forms / loan application. In case of need, Company Manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

2. Accounts of companies: In order to confirm the correctness of the Name of the company, Principal place of business, Mailing address of the company, Telephone / fax number given in the account opening form, the following documents may be obtained for verification:

- Certificate of incorporation and Memorandum and Article of Association
- Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account.
- Power of Attorney granted to its managers, officers or employees to transact business on its behalf.
- Copy of PAN Allotment letter
- Copy of the telephone bill

A Photostat copy of the above proof should be filed along with the account opening form / loan application form. In case of need, Company Manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

3. Account of Partnership firms: In order to confirm the correctness of the Legal Name, Address, name of all partners and their addresses and Telephone numbers of the firm and partners given in the account opening form, the following documents may be obtained for verification:

- Registration certificate, if registered
- Partnership deed
- Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- Any officially valid document identifying the partners and the person holding the Power of Attorney and their addresses
- Telephone bill in the name of firm / partners

A Photostat copy of the above proof should be filed along with the account opening form / loan application. In case of need, Company manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

4. Accounts of trusts and foundations: In order to confirm the correctness of the Name of trustees, settlers, beneficiaries and signatories, Names and addresses of the founder, the manager / directors and the beneficiary/ies, Telephone / fax numbers, the following documents may be obtained for verification:

- Trust Deed
- Certificate of registration, if registered
- Power of Attorney to transact business on its behalf
- Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders / managers / directors and their addresses.
- Resolution of the managing body of the foundation / association

- Telephone bill

A Photostat copy of the above proof should be filed along with the account opening form / loan application. In case of need, Company Manager can depute an official to visit the account holder/ loan applicant at the given address to satisfy about the genuineness of the address.

5. Accounts of unincorporated association or a body of individuals:

- resolution of the managing body of such association or body of individuals
- power of attorney granted to him to transact on its behalf
- an officially valid document in respect of the person holding an attorney to transact on its behalf
- and any other information/document as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.

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

a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and

(b) in all other cases, verify identity while carrying out :

(i) transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected,

or

(ii) any international money transfer operations.

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

Abiding by the provisions of Rule 9, the Company shall identify the beneficial owner and take all reasonable steps to verify his identity. The said Rule also requires that the Company should exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile.

Customer identification requirements keeping in view the provisions of the said rule are given in Annexure - 2 for guidance of the Company.

C. MONITORING OF TRANSACTIONS AND MAINTENANCE OF RECORDS OF TRANSACTIONS:

- 1 It is equally essential for the Company to have a clear knowledge and understanding about the normal working pattern and activity of the customer so that the Company can identify all such unusual transactions which would fall outside the normal transactions of the customer. To achieve this purpose, ongoing monitoring is necessary. The extent of such monitoring will depend upon the level of risk involved in case. Any transaction or activity of the customer which gives rise to suspicion will be given special attention. Such monitoring is important to keep a check on any act or omission of the customer which may amount to money laundering or support any act relating to user of finance for criminal activities.
2. The Company will keep a continuous vigil if any of the following acts or events are noticed in relation to the customer's approach or behavior while dealing with the Company:
 - I) Reluctance of the customer to provide confirmation regarding his identity;
 - II) Loan money is used for the purpose other than the one mentioned in the loan application form and the real purpose is not disclosed to the Company;
 - III) Customer forecloses the loan within 2-4 months of availing the Loan facility as against the loan tenure of 12 to 36 months;
 - III) Customer suddenly pays a substantial amount towards partial repayment of the loan after paying few EMIs;
 - IV) Customer deposits with Company substantial cash amount after his EMI cheques have bounced and/or insists for cash payment in future to repay the remaining loan amount;
 - V) Customer defaults regularly and then pays substantial cash at periodical intervals i.e. once in six months.

Company should pay special attention to all complex, high-risk, unusually large transactions and all unusual or suspicious patterns which have no apparent economic or visible lawful purpose.

The Company shall pay particular attention to the transactions which exceed the limits of Rs.10 lakhs, either per transaction or credit and debit summation in a single financial year. This would include transactions where the customer by way repayment of loan, whether in part or full, deposits Rs. 10 lakhs and above (either through cash or through a negotiable instrument). Such transactions shall be reported to Head of the Collection and finance Department and the Principal Officer appointed as per this policy. In such cases the Company shall keep a close and careful watch on the subsequent mode of payments adopted by such customer.

Company shall ensure that proper record of all transactions and cash transactions (deposits and withdrawals) of Rs.10 lakhs and above in the accounts is preserved and maintained as required under the PMLA.

The Company shall introduce a system of maintaining proper record of the following transactions:

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

- V. all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place;
- V. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

Branches to continue maintaining proper record of all cash transactions (deposits and withdrawals) of Rs.10 lakhs and above. The internal monitoring system to have an inbuilt procedure for reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to controlling/head office on a fortnightly basis.

The record shall be preserved in the following manner:

- (i) The nature of the transactions;
- (ii) The amount of the transaction and the currency in which it was denominated;
- (iii) The date on which the transaction was conducted; and
- (iv) The parties to the transaction.

The information in respect of the transactions referred to in clauses I., II. and III. referred above will be submitted to the Director every month by the 15th day of the succeeding month.

The information in respect of the transactions referred to in clause IV. referred above will be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

The information in respect of the transactions referred to in clause V. referred above will be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.

Strict Confidentiality will be maintained by the Company and its employees of the fact of furnishing/ reporting details of such suspicious transactions.

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

The formats for reporting the requisite information in respect of cash transactions and suspicious transactions are enclosed (Annexure 3 to 10). An illustrative (but not exhaustive) list of suspicious transactions in housing/ builder/project loans is furnished in Annexure 11.

The required information will be furnished by the Company directly to the FIU-IND, through the designated Principal Officer.

In addition to the Ordinary Monitoring Standards, any high-risk accounts should also receive the following monitoring:

- 1) Conduct periodic (at least quarterly) reviews with the compliance Officer of all medium- to high-risk accounts.
- 2) Create additional reports designed to monitor all transactions in an account to detect patterns of potential illegal activities.
- 3) Follow up on any exceptions detected from the monitoring reports by contacting the account owner personally to inquire about the unusual activity detected and regularly report status of account inquiries to Compliance Officer.

D. RISK MANAGEMENT

I. For effective implementation of KYC policy there will be a proper co-ordination, communication and understanding amongst all the departments of the Company. The Board of directors shall ensure that an effective KYC program is put in place by establishing proper procedures and ensuring their effective implementation. Heads of all the Departments will ensure that the respective responsibilities in relation to KYC policy are properly understood, appreciated and discharged with utmost care and attention by all the employees of the Company.

II. The Compliance department of the Company will carry out quarterly checks to find out as to whether all features of KYC policy are being followed and adhered to by all concerned departments.

III. Company will take steps to ensure that its internal auditors are made well versed with this policy who will carry out regular checks about the compliance of KYC procedures by all branches of the Company. Any lapse or short coming observed by the internal auditors will be brought to the notice of Head of the concerned department. There will be quarterly assessment to check the compliance level by a committee to be constituted by the Board.

IV. The Company will conduct at regular intervals training programmes to impart training to its staff members regarding KYC procedures to ensure consistent and highest degree of compliance level.

The inadequacy or absence of KYC standards can subject the Company to serious risks especially reputational, operational, legal and concentration risks.

- **Reputational risk** is defined as the risk of loss confidence in the integrity of the institution, that adverse publicity regarding the Company's business practices and associations, whether accurate or not causes.
- **Operational risk** can be defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.
- **Legal risk** is the possibility that law suits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations or condition of the Company.
- **Concentration risk** although mostly applicable on the assets side of the balance sheet, may affect the liability as it is also closely associated with funding risk, particularly the risk of early and sudden withdrawal of funds by large depositors, with potentially damaging consequences for the liquidity of the Company.

All these risks are interrelated. Any one of them can result in significant financial cost to the company and diverts considerable management time and energy to resolving problems that arise.

E. POLICY IMPLEMENTATION GUIDELINES

i) CUSTOMER EDUCATION:

For implementing KYC Policy, the Company shall have to seek personal and financial information from the new and intended customers at the time they apply for availing the loan facilities. It is likely that any such information, if asked from the intended customer, may be objected to or questioned by the customers. To meet such situation it is necessary that the customers are educated and apprised about the sanctity and objectives of KYC procedures so that the customers do not feel hesitant or have any reservation while passing on the information to the Company. For this purpose, all the staff members with whom the customers will have their first interaction/dealing will be provided special training to answer any query or questions of the customers and satisfy them while seeking certain information in furtherance of KYC Policy. To educate the customers and win their confidence in this regard, Company may arrange printed materials containing all the relevant information regarding KYC Policy and anti money laundering measures. Such printed materials will be circulated amongst the customers and in case of any question from any of the customer, the Company staff will attend the same promptly and provide explain reason for seeking any specific information and satisfy the customer in that regard.

ii) INTRODUCTION OF NEW TECHNOLOGIES

As part of the KYC and AML Policy, special attention should be paid to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity, and adequate measures, if needed, should be taken to prevent their use in money laundering schemes.

iii) APPLICABILITY TO BRANCHES AND SUBSIDIARIES OUTSIDE INDIA

The KYC and AML Policy will also apply to the branches and majority owned subsidiaries of the Company located abroad, if any. When local applicable laws and regulations prohibit implementation of these guidelines, the same will be brought into the notice of National Housing Bank and the RBI.

(iv) KYC POLICY FOR EXISTING CUSTOMERS:

Although this KYC Policy will apply and govern all the new and prospective customers, but some of the KYC procedures laid down in this policy particularly which deal with Customer Identification, Monitoring of Transactions and Risk Management can be effectively applied to the existing customers and their loan accounts. While applying such KYC procedures to the existing loan accounts if any unusual pattern is noticed, the same should be brought to the notice the Head of the concerned department and the Principal Officer appointed by the Company as per RBI directives.

In case any existing customer does not co-operate in providing the information required as per KYC policy or conducts himself in such manner which gives rise to suspicion about his identity or credentials, such matters will be brought to the notice of Principal Officer who in turn will make necessary inquiries and if required shall forward the name of such customers to the concerned authorities for appropriate action. Besides above, in such situation the Company, for reasons to be recorded, may recall the loan granted to such customers and take recourse to legal remedy against the customers as well as security furnished by such customer.

F. APPOINTMENT OF PRINCIPAL OFFICER

To ensure effective implementation of this KYC Policy and a proper co-ordination and communication between the Company and RBI and other enforcement agencies, the Company shall designate a senior official Principal Officer who will operate from the corporate office of the Company. The job the Principal Officer will be to maintain an effective communication and liaison with RBI and other enforcement agencies which are involved in the fight against money laundering and combating financing of terrorism, and to take appropriate steps in all such matters which are brought to the notice of Principal Officer by any department of the Company with regard to any suspicious acts or omissions or acts of non-compliance on the part any customers. The name of the Principal Officer so designated, his designation and address including changes from time to time, may please be advised to the Director, FIU-IND and also to NHB. Principal Officer shall be located at the head/corporate office of the Company.

G. MAINTENANCE AND PRESERVATION OF RECORDS

As per the provisions of PMLA, the Company shall 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 [referred to in Para C. supra] are required to be maintained for a period of ten years from the date of transactions between the clients and the Company.
- (b) records of the identity of all clients of the Company are required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the Company.

The Company will ensure that appropriate steps are taken to evolve a system for proper maintenance and preservation of 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.

H. 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 RBI at the following address:

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

Where the Principal Officer has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value to so to defeat the provisions of PMLA rules, such officer shall furnish information in respect of such transactions to the Director, FIU-IND, within the prescribed time.

A copy of all information furnished shall be retained by the Principal Officer for the purposes of official record.

I. GENERAL

The Company shall ensure that the provisions of PMLA and the Rules framed there under and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

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

“Annexure 1”

CUSTOMER IDENTIFICATION PROCEDURE

FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

Features	Documents
Individuals Legal name and any other names used	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving license (v) Identity card (subject to the HFC's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of HFC
Correct permanent address	(i) Telephone bill (ii) Account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the HFC)(any one document which provides customer information to the satisfaction of the HFC will suffice)
Companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	(i) Certificate of incorporation and Memorandum & Articles of Association (ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account (iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) Copy of PAN allotment letter (v) Copy of the telephone bill
Partnership Firms -Legal name -Address -Names of all partners and their addresses- Telephone numbers of the firm and partners	(i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners

Trusts & Foundations

- Names of trustees, settlers, beneficiaries and signatories
-Names and addresses of the founder, the managers/directors and the beneficiaries -
Telephone/fax numbers

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

Unincorporated association or a body of individuals

- (i) resolution of the managing body of such association or body of individuals
- (ii) power of attorney granted to him to transact on its behalf
- (iii) an officially valid document in respect of the person holding an attorney to transact on its behalf
- (iv) and such other information as may be required by the Company to collectively establish the legal existence of such as association or body of individuals.

Annexure-11

I. 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 Company, 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 Organisation / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
 - s. Frequent requests for change of address;
 - t. Overpayment of instalments with a request to refund the overpaid amount
-