



SUNDARAM HOME

SUNDARAM HOME FINANCE LIMITED

(Formerly known as Sundaram BNP Paribas Home Finance Limited)

Registered Office: 21 Patullos Road, Chennai – 600 002

POLICY ON ‘KNOW YOUR CUSTOMER’ AND ‘ANTI-MONEY-LAUNDERING’ MEASURES

A. Introduction

1. The Policy set out herein has been approved by the Company’s Board of Directors. It supersedes the previous Policy framework approved by the Board on **25th January 2011 and as amended in 30th January 2015 and 17th July 2017.**
2. This Policy is based on, and is in compliance with, the regulatory guidelines issued by the National Housing Bank (NHB) through its circular **NHB/ND/DRS/Policy Circular No.94/2018-19 dated 11th March 2019** to Housing Finance Companies (HFCs). The guidelines have been issued in terms of the provisions of the Prevention of Money-laundering Act, 2002, (“the Act”) and the Rules made thereunder (“the Rules”).¹ The Act and Rules apply to HFCs² as much as to banking companies, other financial institutions and intermediaries without distinction. As a HFC, the Company’s primary business is the provision of term loans for housing in India. The Company also extends loans on the security of immovable property for personal or commercial purposes. The Company accepts term deposits from the public but within a regulated framework. Such deposits represent a small proportion of the Company’s resources.

The Company does not offer a wide range of financial products and services such as those offered by a commercial bank or a financial conglomerate. Unlike a commercial bank, the Company cannot accept demand deposits withdrawable

¹ The Rules are: The Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and the 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, as amended by The Prevention of Money-laundering (Maintenance of Records of the Nature and Value of Transactions, the Procedure and the 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) Amendment Rules, 2009.

² The term “financial institution” employed in the Act includes a housing finance company as defined in section 2(d) of the National Housing Bank Act, 1987.

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by cheque, draft, and order or otherwise and it cannot open or maintain current or savings accounts. The Company does not extend overdraft or cash-credit facilities, or collect or discount bills for customers. Also, unlike banks, the Company does not undertake money transfers, such as through bank drafts or electronic transfers. It does not dispense cash through electronic machines or issue credit cards. The Company has no subsidiaries in India or abroad and does not have overseas operations.

3. Given its specialised and limited role and functions, the Company is unlikely in practice to encounter several of the types of situations, or enter into some of the types of business or non-business relationships captured by the Act and the Rules. Thus, not all of the requirements of the Act and the Rules that would seem to apply to, say, a commercial bank would be equally applicable to the Company in the ordinary course of its business. Nevertheless, this Policy incorporates the requirements, too, to conform to the wide statutory and regulatory ambit. In practice, the staff concerned should carefully exercise their reasonable judgment in determining whether particular situations or circumstances encountered by them fall within the purview of this Policy and need any appropriate action as required, while ensuring that the Policy is unfailingly implemented in all cases where it is clearly applicable.
4. The Company shall ensure that the provisions of the Act, the Rules framed thereunder, and the Foreign Contribution (Regulation) Act, 1976, wherever applicable, is adhered to strictly. In case of any inconsistency between this Policy and the statutory and regulatory requirements, the latter shall prevail.
5. In this Policy, unless repugnant to the subject or context:
 - a. words importing the masculine gender shall include the feminine ; and
 - b. words in the singular shall include the plural, and *vice versa*.

B. "Know Your Customer" (KYC) Policy

6. The principal objective of the Policy is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money-laundering activities. KYC procedures are intended to help the Company know or understand its customers and their financial dealings better, and thereby enable it to manage risks prudently.
7. Definitions:
 - i. **"Aadhaar number" means an identification number as defined under sub-section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act';**

ii. "Act" and "Rules" means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto;

iii. Beneficial Owner (BO):

(a) Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.

Explanation - For the purpose of this sub-clause:-

(i) "Controlling ownership interest" means ownership of/ entitlement to more than 25 per cent of the shares or capital or profits of the company.

(ii) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

(b) Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of capital or profits of the partnership.

(c) Where the customer is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

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

(d) Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

iv. "Customer" means and includes

- a. an individual,
- b. a Hindu undivided family,
- c. a company,

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

and is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

- v. "Non-face-to-face customers" means customers who open accounts without visiting the branch/offices of the Company or meeting the officials of the Company.
- vi. "Officially Valid Document" (OVD) means OVD as defined under rule 2(I)(d) of the Rules and the amendments thereto.
- vii. "Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions e.g., Heads of States/ Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.

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

C. Customer Acceptance Policy

- 8. (i) No account will be opened with the Company in an anonymous or fictitious or *benami* name.
- (ii) Parameters of risk perception will be clearly defined in terms of the customer's location, clients and mode of payments, volume of turnover, and social and financial status, to enable categorisation of customers into low-, medium-, and high-risk categories.
- (iii) The Company will specify the documentation requirements and other information to be collected in respect of different categories of customers while opening their accounts, depending on their perceived risk categorisation and keeping in mind the statutory and regulatory requirements.

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- (iv) The Company shall not open a new account, and may close an existing account, where the Company is unable to apply appropriate customer due diligence measures, eg, where the Company is unable to verify the identity of the applicant/customer or obtain the documents required as per the risk categorisation owing to non-co-operation of the applicant/customer or non-reliability of the information furnished by him to the Company. However, suitable safeguards will be built into the procedures to avoid harassment of the applicant/customer. The decision to close an account will be taken at a senior level, after giving due notice to the customer, indicating the reason for such a decision.
 - (v) Where a customer acts on behalf of another person or an entity, as where an account is operated by a mandate holder or is opened by an intermediary in a fiduciary capacity, the attendant circumstances shall be clearly spelt out in conformity with the established law and practices.
 - (vi) Before opening a new account, the Company will carry out necessary checks to ensure that the customer's identity does not match that of: (a) any person who is known as a terrorist or has a criminal background within the knowledge of the Company, or (b) a banned entity such as a terrorist organization, or **(c) whose name appears in the sanctions lists issued by UN Security Council circulated by National Housing Bank and the sanctions lists circulated by Reserve Bank of India, from time to time.**
9. The nature and extent of the information to be collected and the due diligence to be carried out by the Company while opening an account for a new customer will depend on its perception of the risk involved in entertaining him and dealing with him as a customer. However, staff should not adopt an intrusive approach, and should only seek such information from the customer as is relevant to the risk category, and is in conformity with the regulatory guidelines.
10. For each new customer, a customer profile will be compiled, based on his risk categorisation, and containing information relating to his identity, social/financial status, nature of business activity, his clients and their location, etc. The contents of the customer profile shall be treated as confidential and, to the extent that these are not in public knowledge, shall not be divulged for cross-selling or any other purpose without the customer's consent. Any other information may be sought from the customer, with his consent, after the opening of the account.
11. For the purpose of risk categorisation, individuals [other than high net-worth individuals (HNIs)] and entities whose identities and sources of wealth can be easily known and transactions in whose accounts, by and large, conform to the known profile, may be categorised as low risk. Such customers include: salaried

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employees with well-defined salary structures, persons belonging to the lower economic strata of the society whose accounts show small balances and low turnover, government departments and government-owned companies, regulators, and statutory bodies. In such cases, only the basic requirements of verification of the customer's identity and location need be met.

12. A customer likely to pose a higher-than-average risk to the Company may be categorized as a medium- or high-risk customer, depending on his background, nature and location of activity, country of origin, sources of funds, and client profile. In such a case, especially where the sources of the customer's funds are not clear, enhanced due diligence measures may be applied based on the risk assessment. Such customers may include:
 - a. non-resident customers,
 - b. HNIs,
 - c. trusts, charities, non-government organisations, and organisations 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, and
 - h. those with dubious reputation as per available public information.

Where an existing customer or the beneficial owner of an existing account subsequently becomes PEP, the Managing Director's approval would be necessary to continue the business relationship with him. If continued, the relationship shall be subjected to enhance monitoring.

13. It shall be ensured that adoption and implementation of the Customer Acceptance Policy does not become too restrictive as would result in denial of the Company's services to the general public, especially to those who are financially or socially disadvantaged.

D. Customer identification procedure

14. At the time of commencement of an account-based relationship, the customer's identify shall be verified and information obtained on the purpose and intended nature of the business relationship he seeks with the Company.
15. In the case of a non-account-based relationship,³ the customer's identity shall be verified while carrying out:

³ In practice, the Company is unlikely to enter into such a relationship.

- a. a single transaction of Rs. 50,000 or more, or a series of several transactions that appear to be connected and total Rs. 50,000 or more; or
 - b. any international money transfer.
16. All reasonable steps shall be taken to verify the identity of any beneficial owner of an account.
 17. Where the customer is a judicial person, the identity and authority of any person purporting to act on its behalf shall be verified.
 18. Customer identification means identifying the customer and verifying his identity by using reliable, independent source documents, and information. Sufficient information needs to be obtained to establish, to the Company's satisfaction, the identity of each new customer, whether regular or occasional, and the purpose of the proposed relationship. Documents and information shall be obtained as indicated in **Annex I**.
 19. When a doubt arises about the authenticity, veracity, or the adequacy of previously obtained customer identification data, the matter should be referred, where the account is maintained at a branch, to the head of the branch and, where the account is maintained at the Corporate Office, to the Head (Operations) as the case may be.
 20. **For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, the Company may rely on Customer Due Diligence done by a third party, subject to the following conditions:**
 - (a) **Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.**
 - (b) **The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the Prevention of Money-Laundering Act.**

E. Customer Due Diligence (CDD) Procedure

While undertaking CDD, the Company shall obtain the following information:

Features	Documents
Accounts of individuals (a) Proof of identity & age	<ol style="list-style-type: none"> 1) PAN card (Mandatory) 2) Form 60 (if PAN not available) – To be based on profile. Form 60 is not automatic. 3) Aadhaar Card (Mandatory for subsidy / other Government benefits, else optional) 4) Passport (with validity) 5) Election / Voter's card 6) Photo ID card issued by any of the following organizations / Institutions <ol style="list-style-type: none"> a) Central Government or any of its Ministries b) Statutory / Regulatory authorities c) State Govt. or any of its Ministries d) Public Sector Undertaking (established under GOI or State Govt.) e) State Government of J & K f) Bar council g) Senior Citizen card issued by State / Central Govt. h) Govt. of India to Persons of Indian Origin (PIO card) i) Defence Dept. / Ministry of defence for Defence personnel & their dependents j) Public Financial institutions / Public sector banks 7) Permanent Driving license (with validity) 8) Arms License issued by the State / Central Govt. of India (containing photograph of the applicant) 9) Pension payment card issued by State / Central Govt. of India with photograph of the applicant 10) Ration Card containing IRIS scan along with photograph 11) For rural branches letter of introduction with photograph, name and address of the customer duly certified by Block Development officer / Head of Village Panchayat / Post master of post office concerned. 12) Foreign regional registration office certificate issued to Tibetan nationals containing signature, photo and address of the applicant.

Features	Documents
b) Proof of Address	<ol style="list-style-type: none"> 1) Passport (with validity) 2) Permanent Driving license (with validity) 3) Ration card 4) Election card / Voters ID (if it has address) 5) Aadhar card (Mandatory for subsidy / other Government benefits, else optional) 6) Address proof card issued by Indian Post office 7) Utility Bills which is not more than 2 months old of any Service provider (Electricity, Telephone, Postpaid Mobile Phone, Piped Gas, Water Bill) 8) Bank account statement of PSU / Private Sector / Foreign bank (Not older than 3 months) 9) Copy of title deeds (wherein original title deeds are registered and stamped) 10) Latest Property tax or water tax bill / Property tax paid Receipt. 11) Senior citizens card issued by the State / Central Govt. of India (if it has address) 12) Domicile certificate with communication address issued by Municipal Corporation. 13) Arms License issued by the State / Central Govt. of India authority which contains photograph of applicant. 14) Photo Id card with photograph (issued by J&K & Goa State Govt.) 15) Photo Social Security Card issued by the Central / State govt. / Union territories. 16) Pension or family pension payment orders issued to retired employees by State / Central Govt. of India or Public Sector Undertakings if they contain the address. 17) IRIS scanned household Card with photograph (issued by Andhra Pradesh govt.) 18) Photo ID card issued by any of the following organizations / Institutions provided it contains address: <ol style="list-style-type: none"> i) Central Government or any of its Ministries ii) Statutory / Regulatory authorities iii) State Govt. or any of its Ministries iv) Public Sector Undertaking (established under GOI or State Govt.) v) State Govt. of J&K vi) Bar council vii) Senior Citizen card issued by State / Central Govt. viii) Govt. of India to Persons of Indian Origin (PIO card) ix) Defence Dept / Ministry of defence for Defence personnel & their dependents x) Public Financial institutions 19) Latest certificate from post office / Post office savings bank passbook – Applicable only RURAL areas. 20) For rural branches letter of Introduction with photograph, name and address of the customer duly certified by Block Development officer / Head of village Panchayat / Post master of post office concerned. 21) Defence Accounts (Indian Army, Navy & Air Force)

	<ul style="list-style-type: none"> • Transfer / Movement order issued by the defence ministry / unit of defence ministry mentioning the name and address of the applicant. • House Allotment letter issued by the defence ministry / unit of defence ministry mentioning the name and address of the applicant. • Certificate on the defense letter head issued by the Defence Ministry / Unit of Defence Ministry mentioning the name and address of the applicant.
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In respect of other entities such as Companies, Firms and Trusts the CIP requirement is as given below.

Features	Documents
Accounts of Proprietary Concern	<p>KYC of the Sole Proprietor</p> <p>Any two of the following documents as proof of business / activity in the name of the proprietary concern should be obtained</p> <p>Certified copies of</p> <ul style="list-style-type: none"> (i) Registration Certificate (ii) Certificate / License issued by the Municipal Authorities under Shop & Establishment Act (iii) Sales and Income Tax Returns (iv) CST/VAT/GST Certificate (Provisional / Final) (v) Certificate / Registration document issued by Sales Tax/Service Tax/Professional Tax Authorities (vi) IEC (Importer Exporter Code) issued to the proprietary concern by the Office of DGFT / License / Certificate of Practice issued in the name of the proprietary concern by any professional body incorporated under a Statute. (vii) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected/duly authenticated/acknowledged by the income tax authorities (viii) Utility bills such as electricity, water and landline telephone bills not more than two months old
Accounts of companies Name of the company Principal place of business Mailing address of the company Telephone / Fax Number	<p>Certified copies of each of the following documents</p> <ul style="list-style-type: none"> i) Certificate of Incorporation ii) Memorandum & Article of Association iii) PAN of the Company iii) Resolution of the Board of Directors and Power of Attorney granted to its mangers, officers or employees to transact business on its behalf iv) One copy of an ID & Address Proof, one recent photograph and PAN or Form 60 of its managers, officers or employees, holding an attorney to transact on its behalf vi) Copy of the telephone bill (not later than 2 months) vii) Copy of GST Registration Certificate if applicable

<p>Accounts of partnership firms</p> <p>Legal name Address Names of all partners and their addresses Telephone numbers of the firm and partner</p>	<p>Certified copies of each of the following documents shall be obtained</p> <ul style="list-style-type: none"> i) Registration certificate, ii) Partnership deed iii) PAN of the partnership firm iv) One copy of an ID & Address Proof, one recent photograph and PAN or Form 60 of its partners v) Telephone bill in the name of firm/partners. vi) Copy of GST Registration Certificate if applicable
<p>Accounts of an unincorporated Association or Body of Individuals (Unregistered Partnership Firms / Trusts)</p>	<p>Certified copies of each of the following documents shall be obtained</p> <ul style="list-style-type: none"> i) Resolution of the managing body of such association or body of individuals ii) PAN / Form 60 of the unincorporated association or body of individuals iii) Power of attorney granted to transact on its behalf One copy of the ID & Address Proof, one recent photograph and PAN or Form 60 of its partners holding an attorney to transact on its behalf iv) Copy of the telephone bill (not later than 2 months) v) Copy of GST Registration Certificate if applicable.

Features	Documents
<p>Accounts of trusts & foundations</p>	<p>One certified copy of each of the following documents to be obtained</p> <ul style="list-style-type: none"> i) Trust Deed / Bye-laws ii) Certificate of registration, if registered iii) PAN of the trust or Form 60 iii) Power of Attorney granted to transact business on its behalf iv) Any officially valid document and recent photograph to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their addresses. v) Resolution of the managing body of the foundation/association vi) Telephone bill (not later than 2 months)
<p>Juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats</p>	<ul style="list-style-type: none"> i) Document showing name of the person authorised to act on behalf of the entity; ii) Aadhaar/PAN/OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and iii) Such documents as may be required by the Company to establish the legal existence of such an entity/juridical person.

Identification of Beneficial Owner	<p>For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and verify his/her identity keeping in view the following:</p> <p>(a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.</p> <p>(b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.</p>
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F. **Monitoring of transactions**

21. Ongoing due diligence shall be exercised with respect to the business relationship with every customer. The transactions with every customer shall be closely examined in order to ensure that they are consistent with the Company's knowledge of the customer, his business and risk profile. The Company shall have systems and procedures for monitoring its customers' accounts, based on the risk categorisation, the size of the transactions entered into by the Company with the customers, their background, such as the country of his origin, sources of his funds, the types of transaction involved, and other risk factors. For this purpose, staff shall seek to understand the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk-sensitivity of the account. Special attention shall be paid to all complex and unusually large transactions and all unusual patterns that seem to have no apparent economic or visible lawful purpose. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract attention. High-risk accounts shall be subjected to intensified monitoring. The risk categorization of accounts and the need for applying enhanced due diligence measures to particular accounts shall be reviewed periodically.

G. **Risk management**

22. Appropriate procedures, with the approval of the Board of Directors or of a Committee constituted by the Board, shall be put in place for implementing an

effective KYC programme. The procedures shall cover proper management supervision and guidance, systems and controls, segregation of duties, training and other related matters. Responsibility shall be explicitly allocated within the Company for ensuring that the relevant Policy and procedures are implemented effectively. **While assessing the risk, the Company shall consider the recommendations made by the Financial Action Task Force (FATF) on Anti-Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards.**

23. The Company's compliance function shall carry out an independent evaluation of the Company's KYC Policy and procedures, including compliance with the legal and regulatory requirements. The internal and concurrent auditors shall specifically check and verify the application of KYC procedures at the branches and other offices and comment on any observed lapses. The main findings of the audits shall be put up to the Audit Committee regularly. Accountability will be fixed for serious lapses and intentional circumvention of prescribed procedures and guidelines.
24. The Company's employee-training programme will include a focus on adequate training of relevant staff in KYC procedures, with appropriate differentiation of frontline staff, compliance staff and staff dealing with new customers, so that all those concerned fully understand the rationale behind the KYC Policy and implement it consistently.

H. Customer education

25. Implementation of KYC procedures may involve asking customers to provide information that may be of a personal nature or that has not been asked for previously. Some customers may question the need for and the purpose of collecting such information. The Company shall train its staff concerned to deal with such situations, and seek to educate the customer about the objectives of the KYC programme with the help of appropriate literature put out by the Company.

I. Introduction of new technology

26. The Company shall pay special attention to any money-laundering threats that may arise from a new or developing technology, including on-line transactions that might favour anonymity, and take measures, if needed, to prevent their use in money-laundering schemes.

J. The Designated Director

27. **Mr. Lakshminarayanan Duraiswamy, Managing Director shall be the Designated Director for the purpose of compliance with Chapter IV of the Act.**

K. The Principal Officer

28. **Mr. V. Swaminathan, Company Secretary shall be the Principal Officer of the Company responsible for monitoring and reporting all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies and any other institution involved in the fight against money-laundering and financing of terrorism.**

L. Periodic Updation

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

a) The Company shall carry out

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

- b)The Company may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication unless there are sufficient reasons that physical presence of the account holder/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.**

M. Maintenance of records of transactions

30. The Company shall have a system of maintaining proper records of transactions as mentioned below:
- a. all cash transactions of the value of more than Rs. 10 lakh or its equivalent in foreign currency;
 - b. all series of cash transactions integrally connected to each other which have been valued below Rs. 10 lakh or its equivalent in foreign currency where the transactions have taken place within a month and the aggregate value of such transactions exceeds Rs. 10 lakh;
 - c. all transactions involving receipts by non-profit organizations⁴ of value of more than Rs. 10 lakh or its equivalent in foreign currency;
 - d. all cash transactions where, to the Company's knowledge, forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transactions; and
 - e. all suspicious transactions, whether or not made in cash.⁵
31. The Company shall maintain proper records of all cash transactions (deposits and withdrawals) of Rs. 10 lakh and above. The internal monitoring system shall have an in-built procedure for fortnightly reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to the controlling unit or the head office.
32. Records referred to above shall contain the following information:
- a. the nature of the transaction;
 - b. the amount and currency of the transaction;
 - c. the date on which the transaction was conducted; and
 - d. the parties to the transaction.

⁴ A "non-profit organization" means an entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860, or any similar State legislation or a company registered under section 25 of the Companies Act, 1956.

⁵ "Suspicious transaction" means a transaction referred to in rule 2(1)(h) of the Rules, including an attempted transaction whether or not made in cash, which to a person acting in good faith:

- (a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value thereof; or
- (b) appears to be made in circumstances of unusual or unjustified complexity; or
- (c) appears to have no economic rationale or bona fide purpose; or
- (d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

33. The Company shall maintain records as under:
- a. records of all transactions referred to in section 12(1)(a) of the Act read with Rule 3 of the Rules shall be maintained for a period of five years from the respective dates of the transactions with the customers; and
 - b. records of the identity of all customers shall be maintained for a period of five years from the respective dates of cessation of transactions with them.

The Company shall evolve a system for proper maintenance and preservation of information in a manner (both hard and soft copies) that allows data to be retrieved easily and quickly whenever required or when requested by competent authorities.

N. Reporting to the Financial Intelligence Unit-India (FIU-IND)

34. The Company shall report information on transactions referred to in section 12(1) (a) of the Act read with Rule 3 of the Rules relating to cash and suspicious transactions *direct* to:

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

35. Where the Principal Officer has reason to believe that a single transaction, or a series of integrally connected transactions, has been valued below the prescribed value to defeat the provisions of this section, the Principal Officer shall furnish information in respect of such transactions to the Director within the prescribed time.
36. Mr. Lakshminarayanan Duraiswamy, Managing Director is the Designated Director for the purpose of Anti-Money Laundering (AML) compliances under Prevention of Money Laundering Activities (PMLA).
37. (a) The information in respect of the transactions referred to in items (a) to (c) in paragraph 27 supra shall be submitted to the Director every month by the 15th day of the succeeding month.
- (b) The information in respect of the transactions referred to in item (d) in paragraph 27 supra shall be furnished promptly to the Director in writing, or by fax or electronic mail, not later than seven working days from the dates of occurrence of the transactions.

- (c) The information in respect of the transactions referred to in item (e) in paragraph 27 supra shall 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 the transaction is suspicious. However, the Company and its employees shall maintain strict confidentiality of the fact of furnishing or reporting details of suspicious transactions.
38. There is no need to submit “nil” reports where there are no cash or suspicious transactions during a particular period.
39. Copies of the information furnished to the Director shall be retained by the Principal Officer for the purposes of official record. **Annex II** contains an illustrative (but not exhaustive) list of suspicious transactions.
- O. Adherence to Know Your Customer (KYC) guidelines by the Company and persons authorised by the Company including brokers/agents etc.**
40. **(a) Persons authorized by the Company for collecting deposits and/or selling loan related products, their brokers/agents or the like, shall be fully compliant with this Policy.**
- (b) All information shall be made available to the National Housing Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by the Company including brokers/agents etc.**

**CUSTOMER IDENTIFICATION REQUIREMENTS:
INDICATIVE GUIDELINES**

A. Trust / nominee / fiduciary accounts

1. There exists the possibility that trust/nominee/fiduciary accounts can be used to circumvent the customer identification procedures. Where a customer is acting on behalf of another person as a trustee/nominee or is an intermediary, the Company may insist on receipt of satisfactory evidence of the identity of the intermediary and of the person(s) on whose behalf he is acting, and details of the nature of the trust or other arrangements in place. While opening an account for a trust, reasonable precautions should be taken to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a foundation, steps should be taken to verify the founder-managers/directors and the beneficiaries, if defined. If a decision is taken to accept such an account in terms of the Customer Acceptance Policy, reasonable measures should be taken to identify the beneficial owner(s) and verify his/her/their identity so that the Company comes to know who the beneficial owner(s) is/are.

B. Accounts of companies and firms

2. The staff should be vigilant against business entities being used by individuals as a 'fronts' for maintaining accounts with the Company. The legal status of the legal person/entity should be verified through proper and relevant documents. The identity and authority of any person purporting to act on behalf of the legal/juridical person/entity should be verified. The control structure of the entity should be examined, the source of its funds determined, and the natural persons who have a controlling interest and who comprise the management identified. These requirements may be moderated according to the risk perception; for instance, in the case of a public company it will not be necessary to identify all the shareholders.

C. Client accounts opened by professional intermediaries

3. When it is within the Company's knowledge, or there is reason to believe, that a customer's account opened by a professional intermediary is on behalf of a client, that client must be identified. Where the 'customer due diligence' is carried out by an intermediary, the staff concerned should satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements.

D. Accounts of politically exposed persons resident outside India

4. Politically exposed persons (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. heads of states or of governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, and important political party officials. If and when a person of this category, or a member of his family, or his close relative, seeks to establish a relationship with the Company, sufficient information on the person, including information available in the public domain, shall be gathered. The identity of the person should be verified, and information should be asked for about the sources of his funds **and that of his/her family members and relatives** before accepting him as a customer. The decision to open an account for such a person should only be taken by the Managing Director. Any such account should be put through enhanced monitoring on an ongoing basis.

E. Accounts of non-face-to-face customers

5. In the case of non-face-to-face customers, in addition to the usual customer identification procedures, specific and adequate procedures will be applied to mitigate the higher risk involved. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for. In the case of overseas customers, given the difficulty of matching the customer with the documentation provided, reliance may be placed on introduction by an acceptable third party or on authentication by, eg, a regulated and supervised bank or other financial institution.

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

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

B. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO INDIVIDUALS:

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

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- 10) Initial contribution made through unrelated third party accounts without proper justification;
- 11) Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- 12) Suggesting dubious means for the sanction of loan;
- 13) Where transactions do not make economic sense;
- 14) Unusual financial transactions with unknown source.
- 15) Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.
- 16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- 17) Encashment of loan amount by opening a fictitious bank account;
- 18) Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
- 19) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- 20) Multiple funding of the same property/dwelling unit;
- 21) Request for payment made in favour of a third party who has no relation to the transaction;
- 22) Usage of loan amount by the customer in connivance with the Vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.
- 23) Multiple funding / financing involving NGO / Charitable Organisation / Small/ Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- 24) Frequent requests for change of address;
- 25) Overpayment of instalments with a request to refund the overpaid amount.
- 26) Investment in real estate at a higher/lower price than expected.
- 27) Clients incorporated in countries that permit bearer shares.