

**L&T FINANCIAL SERVICES
("LTFS")**

POLICY FOR KYC & AML COMPLIANCE

Applicable to L&T Housing Finance Limited

VERSION CONTROL

Version	Date of adoption	Change Reference	Owner	Approving Authority
01		Original Version- Guidelines on 'Know Your Customer' and 'Anti money Laundering Measures' issued by NHB through circular NHB(ND)/DRS/POL.No.13/2006 dated April 10, 2006		
02		To incorporate the Revised guidelines on 'Know Your Customer' and 'Anti money Laundering Measures' issued by NHB through circular NHB/ND/DRS/Pol-No.33/2010-11 dated October 11, 2010		
03		To incorporate the guidelines issued by NHB through circular NHB(ND)/DRS/Pol. Circular No.60/2013-14 dated February 06, 2014 on acceptance of Aadhaar letter for KYC purposes		
04	27.08.2015	<ul style="list-style-type: none"> • Incorporated the guidelines on acceptance of e-KYC service and e-Aadhaar for KYC purposes. • Updated the list of documents to include UID / Aadhaar card / e-Aadhaar as acceptable KYC • Addition of Norms and Procedures for opening an account or closing an existing account in Customer Acceptance Policy • Addition of Norms and Procedures for OSV & UNSCR verification in Customer Acceptance Policy • Updated guidelines on Risk Level Categorization of Customers • Enhanced due diligence in the event of an existing customer subsequently becoming Politically Exposed Person ("PEP") • Updated guidelines on Monitoring of Transactions beyond threshold limits & inconsistent account turnover • Updated guidelines on Monitoring of Transactions for high risk accounts • Updated guidelines on Suspicious Transaction Report (STR), Cash Transaction Report (CTR) and Counterfeit Currency Report (CCR) 	Risk	Pavan Kumar Yabaluri, Subhash Samant, Mandar Naik, Jaymeen Shah, Mrudul Gokhale, Vivek Mannan, Sonia Krishnankutty, Smitesh Shah, Ajay Kanal and Mithun Pillai

Version	Date of adoption	Change Reference	Owner	Approving Authority
		<ul style="list-style-type: none"> • Updated guidelines on Monitoring of Transactions by conducting periodical review of risk categorization of accounts and the need for applying enhanced due diligence basis revised risk categories • Updated guidelines on periodic updation of KYC records in Customer Identification Procedure • Updated guidelines on the list of KYC documents that may be obtained from Customers • Revised the transaction threshold period for due diligence of cash transactions in Monitoring & Reporting of Transactions • Updated internal guidelines on foreclosure of Housing loans in Monitoring & Reporting of Transactions 		
05	October 24, 2017	Review and updation of the policy	Compliance	Board of Directors
06	October 2018	Annual Review and updation of the policy	Compliance	Board of Directors
07	April 2019	To incorporate Revised guidelines on 'Know Your Customer' and 'Anti money Laundering Measures' issued by NHB through circular NHB/ND/DRS/ Policy Circular No. 94/2018-19 dated March 11, 2019	Compliance	Board of Directors

IMPORTANT INFORMATION

If at any point a conflict of interpretation / information between this Policy and any Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Circulars/ Directions by the National Housing Bank arise then interpretation of such Regulations, Rules, Guidelines, Notification, Clarifications, Circulars, Master Directions issued by the National Housing Bank shall prevail.

Policy to be read in conjunction with the KYC & AML Compliance Process Note and AML Monitoring & Reporting Process Note

Any revision in the NHB guidelines or any other statute related to KYC and PMLA guidelines, subsequent to the date of release of the policy, will supersede the processes mentioned herein to the extent the process is not in compliance with the updated guidelines / instructions.

TABLE OF CONTENTS

VERSION CONTROL	2
IMPORTANT INFORMATION	4
1. ABBREVIATIONS	7
2. PREAMBLE	8
3. INTRODUCTION	9
3.1 OBJECTIVE	9
3.2. SCOPE	9
3.3 IMPORTANT DEFINITIONS.....	9
4. CUSTOMER ACCEPTANCE POLICY (CAP)	10
4.1. NORMS & PROCEDURES:	10
4.2 RISK LEVEL CATEGORIZATION	11
5. CUSTOMER IDENTIFICATION PROCEDURE (CIP)	12
5.1 CUSTOMER DUE DILIGENCE (CDD) PROCEDURES	13
5.2 NEED FOR PHOTOGRAPHS	13
5.3 ADDITIONAL CDD PROCEDURES	14
5.4 CDD MEASURES FOR IDENTIFICATION BENEFICIAL OWNER.....	14
5.5 CONDITIONS TO RELY ON CDD DONE BY THIRD PARTY	14
6. ONGOING DUE DILIGENCE	14
6.1. SUSPICIOUS TRANSACTION REPORT (STR).....	14
6.2 CASH TRANSACTION REPORTS (CTR)	15
6.3. COUNTERFEIT CURRENCY REPORT (CCR)	15
6.4. MONITORING & REPORTING OF TRANSACTIONS	15
6.5 PERIODIC UPDATION	16
7. RISK MANAGEMENT	16
8. POLICY IMPLEMENTATION GUIDELINES	17
8.1. CUSTOMER EDUCATION.....	17
8.2. INTRODUCTION OF NEW TECHNOLOGIES.....	17
8.3. APPLICABILITY TO BRANCHES	17
8.4. KYC POLICY FOR EXISTING CUSTOMERS	17
9. APPOINTMENT OF PRINCIPAL OFFICER & DESIGNATED DIRECTOR	17
10. MAINTENANCE AND PRESERVATION OF RECORDS	18
11. REPORTING TO FINANCIAL INTELLIGENCE UNIT - INDIA	18
12. OPERATIONALIZATION OF CENTRAL KYC REGISTRY (CKYCR)	19
13. GENERAL	19
14. ANNEXURES	20

14.1. ANNEXURE-1 CUSTOMER IDENTIFICATION PROCEDURE 20
14.2. ANNEXURE-2 CUSTOMER IDENTIFICATION REQUIREMENTS 22
14.3 ANNEXURE 3 - ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS IN HOUSING/
BUILDER/ PROJECT LOANS.....23

1. ABBREVIATIONS

AML	Anti-Money Laundering
BH	Business Head
BBH	Branch Business Head
CAP	Customer Acceptance Policy
CCR	Counterfeit Currency Report
CDD	Customer Due Diligence
CFT	Combating of Financing of Terrorism
CTR	Cash Transaction Report
CIN	Corporate Identification Number
CIP	Customer Identification Procedure
CRC	Customer Risk Categorization
FATF	Financial Action Task Force
FIU-IND	Financial Intelligence Unit – India
HFC	Housing Finance Company
KYC	Know Your Customer
MCA	Ministry of Corporate Affairs
NRI	Non-Resident Indian
NHB	National Housing Bank
OSV	Original Seen & Verified
PAN	Permanent Account Number
PEP	Politically Exposed Person
PMLA	Prevention of Money Laundering Act
RBI	Reserve Bank of India
ROC	Registrar of Companies
STR	Suspicious Transaction Report
UNSCRs	United Nations Security Council Resolutions
UID	Unique Identification Number
ZH	Zonal Head

2. PREAMBLE

National Housing Bank (NHB) has issued guidelines on Know Your Customer (KYC) and Anti-Money Laundering (AML) vide its circular NHB/ND/DRS/ Policy Circular No. 94/2018-19 dated March 11, 2019 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 while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions. HFCs are also advised to take steps to implement provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s). The existing KYC-AML policy is being modified accordingly.

This policy document covers the following aspects:

- Customer acceptance policy
- Standard set of documents that are acceptable for KYC verification for different types of customers i.e. Customer Identification Procedures
- Monitoring of Transactions
- Risk Categorization and Risk Management
- Standard procedure related to obtaining documents, scrutiny and storage

3. INTRODUCTION

3.1 OBJECTIVE

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 purposes 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 person or entities.

3.2. SCOPE

The policy document is applicable across all departments of L&T Housing Finance Ltd.

3.3 IMPORTANT DEFINITIONS

1. **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'
2. **Authentication** means the process as defined under sub-section (c) of section 2 of the Aadhaar Act;
3. **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 exercises control through other means.
 - (i) *"Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company. A*
 - (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 off entitlement to more than 15per 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 off 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.

4. **Customer** means a 'person', as defined below under Para12 below, who is engaged in a financial transaction or activity with a company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
5. **Customer Due Diligence (CDD)** means "Client Due Diligence" as defined under rule 9 of the Rules and the amendments thereto.
6. **Customer Identification** means undertaking the process of CDD.
7. **FATCA** means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which US taxpayers hold a substantial ownership interest.
8. **Non-face-to-face customers** means customers who open accounts without visiting the branch/ offices of the Company or meeting the officials.
9. **Officially Valid Document (OVD)** means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government, the letter issued by the National Population Register containing details of name, address or any other document as notified by the Central Government in consultation with the Regulator (proof of possession of Aadhaar number in such form as are issued by the Unique Identification Authority of India).
10. **On-going Due Diligence** means regular monitoring of transactions in accounts to ensure that they are consistent with the customers profile and source of funds.
11. **Periodic Updation** means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the National Housing Bank.
12. **Person** has the same meaning as defined in the Act and includes: (a) an individual, (b) a Hindu undivided family, (c) a company, (d) a firm, (e) an association of persons or a body of individuals, whether incorporated or not, (f) every artificial juridical person, not falling within anyone 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).
13. **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.

4. CUSTOMER ACCEPTANCE POLICY (CAP)

4.1. NORMS & PROCEDURES:

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

- 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 on 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. 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.

- iii. 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 intermediary in a fiduciary capacity.
- iv. Company shall not open any account or give / sanction any loan or close an existing account where the Company is unable to apply appropriate Customer due diligence measures arising due to any of 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 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. It is necessary that, the Business Team / Branch Operations verifies the photocopy of the KYC documents with the originals and certifies on the KYC Form, the fact of having verified the same under his/her signature (Original Seen & Verified – OSV).
- vi. It is necessary to follow CDD Procedure for all the joint account holders, while opening a joint loan account.
- vii. Customer name should be checked against the negative list provided by UNSCR by NHB & the sanctions lists circulated by Reserve Bank of India from time to time.
It is necessary to ensure that the identity of the customer / Director / partner / authorized signatory does not match with any entity with known criminal background or with banned entities available on United Nations website.

4.2 RISK LEVEL CATEGORIZATION

- i. Company shall categorize its customers on the basis of the risk perceived. 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
- ii. There will be level-wise categorization of customers i.e. High, Medium & Low. Such levels will be decided on the basis of risk element involved in each case, which will be determined by considering following information submitted by the customer:
 - a. Nature of business of the Customer and of his Clients
 - b. Work place of Customers and of his Clients
 - c. Country of Origin
 - d. Source of funds
 - e. Volume of business six-monthly / annual turn-over
 - f. Social and financial status

- g. Quantum and tenure of loan facility applied for and proposed schedule for repayment of loan
- iii. For the purpose of risk categorization, individual (other than High Net Worth) and entities whose sources of wealth can be easily identified and transactions in whose accounts by and large confirm to the known profile, may be categorized as low risk. Normally Low Risk customers would be
 - a. Salaried employees having definite and well-defined salary structure,
 - b. Employees of Government Departments or Government owned companies,
 - c. Statutory bodies,
 - d. 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.
- iv. Cases where the company is likely to incur higher than average risk will be categorized as medium or high-risk customers. While placing the customers in the above categories, the company will give due consideration to the following aspects:
 - a. Customer's background,
 - b. Country of his origin,
 - c. Nature and location of his business activities,
 - d. Sources of funds and profile of customer's clients etc.
- v. Enhanced Due diligence will be taken and exercised in respect of cases in which the risk level is high. Such cases will include those where the sources of funds to be used for business operations or sources to repay the loan to the company are not clearly disclosed or cannot 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, especially those for whom the source of funds are not clear, are mentioned below:
 - a. NRI Customers
 - b. Trusts
 - c. Charitable Institutions
 - d. NGOs and other organizations receiving donations from within or outside the country
 - e. Partnership firms with sleeping partners
 - f. Family owned companies
 - g. Persons with dubious or notorious reputation as per the information available from different sources like media, newspapers etc
 - h. Companies having close family shareholding or beneficial ownership
 - i. 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
 - j. Non-face to face customers

Please refer some more explanations in "**Annexure-2**"

5. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer Due Diligence means identifying and verifying the customer and the beneficial owner obtaining 'OVD documents and PAN or Form 60' as a 'proof of identity' and a 'proof of address' or as may be specified by the National Housing Bank from time to time.

Company shall undertake identification of customers in the following cases:

- a) Commencement of an account-based relationship with the customer.
- b) When there is a doubt about the authenticity or adequacy of the customer identification

- data it has obtained.
- c) Selling third party products as agents, selling their own products and any other product for more than rupees fifty thousand.

5.1 CUSTOMER DUE DILIGENCE (CDD) PROCEDURES

Company will follow below procedures for obtaining information

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

- (i) the Aadhaar number where he is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act, or certified copy of an OVD containing details of identity and address,
- (ii) the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time.

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

Explanation 2: The submission of Aadhaar by an individual as a KYC document in cases other than mentioned at (i) above cannot be insisted upon by the company. However, the individual, voluntarily submit copy of Aadhaar card along with declaration.

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

(b) Company shall obtain following documents deemed to be OVDs for the limited purpose of proof of address in case the OVD furnished by the customer does not contain updated address,

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

ii. property or Municipal tax receipt;

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

iv letter of allotment of accommodations from employer issued by State Government or Central Government Department, Statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;

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

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

5.2 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.

5.3 ADDITIONAL CDD PROCEDURES

A detailed list of the features to be verified and documents that may be obtained in addition to above CDD procedures from the Customers are given in “**Annexure-1**” of this policy document.

A Photocopy of the proofs mentioned in “**Annexure-1**” should be filed along with the account opening forms / loan application. In case of need, the 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.

5.4 CDD MEASURES FOR IDENTIFICATION BENEFICIAL OWNER

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

(a) Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.

(b) In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

Customer identification requirements keeping in view the provisions of the said rule are given in “**Annexure-1**” for indicative guidance of the Company.

5.5 CONDITIONS TO RELY ON CDD DONE BY THIRD PARTY

Company, shall at their option, rely on CDD done by a third party, subject to the prescribed regulatory conditions on case to case to basis.

6. ONGOING DUE DILIGENCE

It is 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 the company shall monitor customer accounts on a regular basis.

6.1. SUSPICIOUS TRANSACTION REPORT (STR)

A suspicious transaction is one for which there are reasonable grounds to suspect that the transaction is related to a money laundering offence or a terrorist activity financing offence. A suspicious transaction can include one that was attempted. Throughout this guideline, any mention of a “transaction” includes one that is either completed or attempted.

“Reasonable grounds to suspect” is determined by what is reasonable in the circumstances, including normal business practices and systems within the industry.

An illustrative (but not exhaustive) list of suspicious transactions in housing / builder / project loans is furnished in “**Annexure-3**”.

Responsibility:

The Compliance Team in co-ordination with the Business Team shall review the STR Reports generated by the AML system and finalize the transactions to be reported as STR. The Compliance Team is responsible for reporting the same to FIU-IND. The AML software has been implemented to monitor suspicious transactions based on criteria defined in the software at a defined frequency. The following activities will be undertaken in the process of reporting suspicious transactions:

- Monitoring of large value and exceptional transactions based on alerts defined
- Liaison with Business Teams for responses / clarifications on STR alerts
- Escalation of suspicious transactions to respective zonal heads / product heads
- Filing Cash Transaction Report (CTR) with the FIU by 15th of subsequent month
- Filing Suspicious Transaction Report (STR) with FIU as per the FIU format
- Scrutinizing sample of customer data against UNSCR and other negative lists as issued by NHB / other Regulatory / Statutory entities from time-to-time and escalating the same to Business Heads.

6.2 CASH TRANSACTION REPORTS (CTR)

All individual cash transactions in an account during a calendar month, where either debits or credit summation, computed separately, exceeding Rupees Ten Lakhs or its equivalent in foreign currency, during the month should be reported to FIU-IND. However, while filing CTR, details of individual cash transactions below Rupees Fifty Thousand may not be indicated.

The Principal Officer should ensure to submit CTR for every month to FIU-IND before 15th of the succeeding month. CTR should contain only the transactions carried out by the Company on behalf of their clients/customers excluding transactions between the internal accounts of the Company.

6.3. COUNTERFEIT CURRENCY REPORT (CCR)

A separate Counterfeit Currency Report should be filed for each incident of detection of Counterfeit Indian currency. If the detected counterfeit currency notes can be segregated on the basis of tendering person, a separate CCR should be filed for each such incident. These transactions should be reported to Director, Financial Intelligence Unit, India by not later than the 15th of the succeeding month from the date of occurrence of such transactions.

All branches of the Company have been provided with machines for detection of fake notes. In the event any fake or counterfeit note is detected by branch staff, despite taking all precautions; then it must be noted in a cash register separately. Reporting of the case with full details like name of customer, amount, denomination, date - must be reported by branch manager to Compliance Department at HO with copy to National Head- Branch Business and Zonal Head.

Compliance to collate all the data from Centre operational department and report to NHB/FIU as prescribed by NHB/FIU regulations.

6.4. MONITORING & REPORTING OF TRANSACTIONS

The Company will keep a continuous vigil, if any of the following acts or events is noticed in relation to the customer's approach or behaviour while dealing with the Company:

1. Reluctance of the customer to provide confirmation regarding his identity;
2. 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;
3. Customer forecloses the loan within 12-14 months of availing the Loan facility as against the loan tenure (say 120 to 240 months);

4. Customer suddenly pays a substantial amount towards partial repayment of the loan after few EMIs;
5. 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;
6. Customer defaults regularly and then pays substantial cash at periodical intervals i.e. once in six months.

The Company shall 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.

6.5 PERIODIC UPDATION

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

a) Company 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.

In case of Legal entities, company shall review the documents sought at the time of opening of account and obtain fresh certified copies.

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

c) Company shall ensure to provide acknowledgment with date of having performed KYC updation.

d) The time limits prescribed above would apply from the date of opening of the account/last verification of KYC.

7. 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, given proper attention and 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 the Departments concerned.
- III. internal auditors will carry out regular checks about the compliance of KYC procedures by all the branches of the Company. Any lapse or short coming observed by the internal auditors will be brought to the notice of Department Heads concerned. 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.

8. POLICY IMPLEMENTATION GUIDELINES

8.1. 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.

8.2. 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. The Principal Officer should ensure to submit CTR for every month to FIU-IND within the prescribed time schedule.

8.3. APPLICABILITY TO BRANCHES

The KYC and AML Policy will also apply to the branches in India.

8.4. KYC POLICY FOR EXISTING CUSTOMERS

Although this KYC Policy will apply and govern all the new and prospective customers; some of the KYC procedures laid down in this policy particularly which deal with Customer Identification, Monitoring of Transactions and Risk Management shall 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 of the Department Heads concerned and the Principal Officer appointed by the Company as per RBI directives.

A customer already having an account-based relationship with the company, shall submit his Permanent Account Number or Form No.60, on such date as may be notified by the Central Government, failing which the account shall temporarily cease to be operational till the time the Permanent Account Number or Form No. 60 is submitted by the customer: Provided that before temporarily ceasing operations for an account, the company shall give the customer an accessible notice and a reasonable opportunity to be heard.

Explanation: - For the purpose of this clause, "temporary ceasing of operations" in relation an account means the temporary suspension of all transactions or activities in relation to that account by the company till such time the customer complies with the provisions of this clause; In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

9. APPOINTMENT OF PRINCIPAL OFFICER & DESIGNATED DIRECTOR

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 of the Principal Officer will be to maintain an effective communication and liaison with RBI/NHB 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 the Principal Officer by any department of

the Company regard to any suspicious acts or omissions or acts of non-compliance on the part of any customers.

To ensure compliance with the obligations under the Prevention of Money Laundering (Amendment) Act, 2012 the Managing Director or a whole-time Director or Manager, duly authorized by the Board of Directors, shall be nominated as "Designated Director" and the name, designation and address of the Designated Director to be communicated to the Director, FIU-IND.

10. MAINTENANCE AND PRESERVATION OF RECORDS

- (i) Company shall introduce a system of Maintenance of records, at each branch and a consolidated record for all the branches taken together at the registered office of the company, of transactions (nature and value), in such form and for 8 years specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 as mentioned below.
 - a. all series of cash transactions integrally connected to each other which have been valued below Rupees Ten Lacs or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds Rupees Ten Lacs;
 - b. all transactions involving receipts by non-profit organizations of value more than rupees ten lacs or its equivalent in foreign currency;
 - c. 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 or a document has taken place facilitating the transaction and;
 - d. All suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.
- (ii) Company shall maintain all necessary information in respect of transactions prescribed under Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, so as to permit reconstruction of individual transaction, including the following:
 - (a) the nature of the transactions;
 - (b) the amount of the transaction and the currency in which it was denominated;
 - (c) the date on which the transaction was conducted; and
 - (d) the parties to the transaction.
- (iii) The Company will ensure that the appropriate steps are taken to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copy) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

11. REPORTING TO FINANCIAL INTELLIGENCE UNIT - INDIA

The Principal Officer will report information relating to Counterfeit, cash and suspicious transactions if detected, to the Director, Financial Intelligence Unit-India (FIU-IND) as advised in terms of sub-rule (1) of rule 3 of the PMLA rules, in the prescribed formats as designed and circulated by FIU at the following address:

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

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

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

The formats & instructions for reporting the requisite information in respect of counterfeit, cash transactions and suspicious transactions are available on FIU website. An illustrative (but not exhaustive) list of suspicious transactions in housing / builder / project loans is furnished in “**Annexure-3**”.

12. OPERATIONALIZATION OF CENTRAL KYC REGISTRY (CKYCR)

Company shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015. Company shall upload the Know Your Customer (KYC) data with CERSAI in respect of new individual accounts opened on or after November 01, 2016.

13. GENERAL

Under FATCA and CRS, company shall adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take all the steps for complying with the reporting requirements.

14. ANNEXURES

14.1. ANNEXURE-1 CUSTOMER IDENTIFICATION PROCEDURE

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

Features	Documents (Certified copy)
Individuals	
<ul style="list-style-type: none"> - Legal name and any other names used 	<ul style="list-style-type: none"> (i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving license (v) Proof of possession of Aadhaar number (vi) Job card issued by NREGA duly signed by an officer of the State Government (vii) Letter issued by the National Population Register containing details of name, address
<ul style="list-style-type: none"> - Correct permanent address 	<ul style="list-style-type: none"> (i) Passport (ii) Driving License (iii) Voters Identity Card (iv) Proof of possession of Aadhaar number (viii) Job card issued by NREGA duly signed by an officer of the State Government (v) Letter issued by the National Population Register containing details of name, address
	One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules.
Sole Proprietary Concerns	
<ul style="list-style-type: none"> - Identity & Address - Proof of business & activity 	<p>The complete KYC for the Individual Proprietor (as per the guidelines for Individuals above) should be obtained.</p> <ul style="list-style-type: none"> (a) Registration certificate. (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act. (c) Sales and income tax returns. (d) CST/V AT/CST certificate (provisional/final). (e) Certificate/registration document issued by Sales Tax/Service Tax/ Professional Tax authorities. (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DCFT/Licence/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute. (g) Complete Income Tax Return (not just the acknowledgement) in the name of

	the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax authorities. (h) Utility bills such as electricity, water, and landline telephone bills.
Companies	
<ul style="list-style-type: none"> - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number 	<ul style="list-style-type: none"> (i) Certificate of incorporation (ii) Memorandum & Articles of Association (iii) Resolution from the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf. (v) Telephone Bill / Utility Bill* (vi) Shop and Establishment Certificate (vii) GST / Sales Tax / VAT Registration (viii) Business Certificate approved by State or Local government bodies
Partnership Firms	
<ul style="list-style-type: none"> - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners 	<ul style="list-style-type: none"> (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 / Utility Bill* in the name of firm/partners. (vi) Shop and Establishment Certificate (vii) GST / Sales Tax / VAT Registration (viii) Business Certificate approved by State or Local government bodies
Trusts & Foundations	
<ul style="list-style-type: none"> - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries - Telephone/fax numbers 	<ul style="list-style-type: none"> (i) Certificate of registration, if registered (ii) Trust Deed (iii) Power of Attorney granted to transact business on its behalf (iv) Any officially valid document 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) GST / Sales Tax / VAT Registration (vii) Business Certificate approved by State or Local government bodies

Unincorporated association or a body of individuals	<ul style="list-style-type: none"> (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 HFC to collectively establish the legal existence of such as association or body of individuals. (v) Shop and Establishment Certificate (vi) GST / Sales Tax / VAT Registration (vii) Business Certificate approved by State or Local government bodies
--	--

Kindly note that the documents issued by any authority that carry time bound validity have to reviewed for date of expiry of the document. Only those documents are acceptable that carry minimum 6 months validity from the time of submission

14.2. ANNEXURE-2 CUSTOMER IDENTIFICATION REQUIREMENTS

INDICATIVE GUIDELINES

Trust / Nominee or Fiduciary Accounts

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

Accounts of companies and firms

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

Client accounts opened by professional intermediaries

3. When the Company has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. Company may hold 'pooled' account managed by the professional intermediaries on behalf

of entities like mutual funds, pension funds or other types of funds. Where the Company relies on the 'Customer Due Diligence (CDD)' done by an intermediary, they shall satisfy themselves that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It shall be understood that the ultimate responsibility for knowing the customer lies with the Company.

14.3 ANNEXURE 3 - ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS IN HOUSING/ BUILDER/ PROJECT LOANS

I. Illustrative list of Suspicious Transactions pertaining to Housing Loans:

- a. Customer is reluctant to provide information, data, and 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 a Company 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 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 areas 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 instalments with a request to refund the overpaid amount.

II. Illustrative list of Suspicious Transactions pertaining to Builder / Project Loans:

- a. Builder approaching the Company for a small loan compared to the total cost of the project;
- b. Builder is unable to explain the sources of funding for the project;
- c. Approvals / sanctions from the various authorities are proved to be fake.