

Subject: <b>KYC &amp; AML Policy</b>	Original Issue Date: 08.11.2010	Policy No.: 4.0
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**HOME FIRST FINANCE COMPANY INDIA LIMITED**  
**(‘Home First’)**

**KYC & AML POLICY**

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

**1. INTRODUCTION**

This policy had initially been formulated pursuant to the notification issued by the National Housing Bank Know Your Customer (KYC) Guidelines and Anti-Money Laundering Standards vide its notifications/Circular No. NHB (ND)/DRS/Pol-No.13/2006 dated 10th April, 2006. The Board of Directors of the Company in its meeting held in November, 2010 had approved and adopted the **“Know Your Customer & Anti Money Laundering Measure Policy” (KYC & AML Policy)** to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently and prevent HFCs from being used, intentionally or unintentionally, by criminal elements for money laundering activities

As part of the best corporate practices and to be in lines with the amendment in the guidelines issued by the National Housing Bank from time to time Home First Finance Company India Limited (HFFC) revises the **“KYC & AML Policy”** from time to time.

As per NHB guidelines on KYC & AML policy HFC is required to have in place a KYC & AML Policy for its lending / credit operations / financial dealings in line with extant guidelines framed therein. Keeping this in view the Company has framed its KYC & AML Policy in accordance with NHB guidelines as issued from time to time. The policy has the following four key elements:

- a. Customer Acceptance Policy;
- b. Customer Identification Procedures;
- c. Monitoring of Transactions; and
- d. Risk management.

**2. POLICY FUNDAMENTALS AND DEFINITION**

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

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

- b. **“Central KYC Records Registry” (CKYCR)** means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- c. **“Designated Director”** means a person designated by the Company to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include, the Managing Director or a whole-time Director, duly authorized by the Board of Directors

*Explanation. - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.*

- d. **“Officially valid document” (OVD)** is defined to mean the passport, the driving license, the permanent account number card, the Voter’s Identity Card issued by the Election Commission of India or any other document as may be required by the Company. In case a Customer does not have a PAN, Form 60, duly signed by the Customer along with a valid identity proof and signature proof, should be accepted
- e. **“Principal Officer”** means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.
- f. **“Suspicious transaction”** means a transaction including an attempted transaction, whether or not made in cash, which, to a person acting in good faith,:
  - i. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Annexure II to this Policy and Schedule to the PMLA Act, regardless of the value involved; or
  - ii. appears to be made in circumstances of unusual or unjustified complexity; or
  - iii. appears to not have economic rationale or *bona-fide* purpose; or
  - iv. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

### 3. Customer Acceptance Policy (CAP)

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

- (i) No account is opened in anonymous or fictitious/benami name(s);
- (ii) Risk in terms of the location of customer and his clients and mode of payments are duly checked;
  - a. volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk

- b. customers requiring very high level of monitoring, e.g. Politically Exposed Persons will be given due consideration
- (iii) Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the PML Act, 2002 and NHB regulations in this regard.
- (iv) Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures, i.e. the Company is unable to verify the identity and /or obtain documents required as per the risk categorisation due to non co-operation of the customer or non reliability of the data/information furnished to the Company.
- (v) Permanent Address proof from new applicants will be collected. The documents which can be accepted as proof of address are mentioned in Annexure.
- (vi) For existing customers who wish to preclose their loan account with HFFC following will be collected:
  - a. Permanent Address proof (As per Annexure I)
  - b. A declaration from the customer regarding source of funds being used for pre-closure of the loan account.
  - c. Closure of the loan account authority will be restricted to authorized person at the branch.
- (v) In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
  - a. if applicant is NRI/PIO
  - b. if applicant is a limited company.
  - c. if applicant is a partnership firm
- (vi) Any other circumstance where it is not possible for the applicant to be present at the branch location physically available. Necessary checks before any loan disbursement will be carried out through FI agency so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

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

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

(viii) As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories:-

Categorization of customers into various risk segments is done at the time of on-boarding the customer. We have formulated a policy to monitor customers in these risk categories on an ongoing basis.

### **KYC Risk Categorization Policy**

The Company shall devise a procedure for creating risk profiles of their new customers based on risk categorization. Company follows a practice of carrying out a detailed physical verification of the customer seeking information relating to the customer's identity, residential status, social/financial status, nature of business activity, information about customer's client and their location etc. The nature and extent of due diligence will depend on the risk perceived by HFFC. However, while doing the customer verification, HFFC will seek only such information from the customer which is relevant to the loan and is not intrusive. The customer information will be a confidential.

Given the nature of our business and its focus on the lower income section of the society, the Company shall categorize the customers according to the risk perceived and ticket size:

<b>Ticket Size</b>	<b>Risk Category</b>
Loan Amount upto 15 Lakh	Low Risk Category
Loan Amount 15 Lakh to 25 Lakh	Medium Risk Category
Loan Amount above 25 Lakh / High net worth individuals /NRI profile	High Risk Category
<b>Note:</b> Increase/Decrease in loan amount will also result in change of customer's risk profile.	

### **KYC Risk Review:**

KYC Risk Categorization will be reviewed by the Credit Committee on half-yearly basis.

HFFC holds the right to change the risk profile of the customer from Low to Medium, Low to High or Medium to High, if one of the following event occurs:

- a) HFFC has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.
- b) More than two requests received for the address change from the same customer within a timespan of two years.
- c) More than two requests received for the contact number change from the same customer within a time span of two years.
- d) Change in Indian Citizenship.
- e) In the event of an existing customer subsequently becoming a PEP (*politically exposed persons*), the Company will obtain necessary approval of the management to continue the business relationship with such person and if in the affirmative then the company to undertake enhanced monitoring at regular period.

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

### **Periodic KYC 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 NHB guidelines.

#### **4. Customer Identification Procedure (CIP)**

- A.** Customer identification means identifying the customer and verifying his/ her / its identity by using reliable, independent source documents, data or information while establishing a relationship. The Company will obtain sufficient information such as Voter ID card, PAN number, Passport etc. necessary to establish, to our satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities shall also be factored in.

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

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

- a. verify the legal status of the legal person/ entity through proper and relevant documents.
- i. verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person and

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

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

- ii. Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. For this The Company will collect Shareholding letter duly certified by the Company Secretary/company's Auditor/Chartered accountant and Necessary Resolution / authorisation etc

**B. Due diligence for High risk customer identification will be as follows:**

1. Non-resident customers, due diligence including email verification of employment of the customer, collection of a local guarantor & power of attorney alongwith their identification proofs and verification of their residence/office will be done, if found necessary.
2. High net worth individuals, with less than three years' occupational track record due diligence including personal discussion with the applicant, analysis of bank statement and financial statements will be done, details of client profile, sources of fund will be obtained, if required.
3. Trusts, charities, NGOs and organizations receiving donations, as and when such cases are received due diligence to be undertaken as for other cases in the high risk categories.
4. Companies having close family shareholding or beneficial ownership, due diligence including personal discussion with the applicant will be done. In case of company's proportionate income being considered to the extent of the customer's Shareholding in the company- board resolution authorising the director(s) to sign on behalf of the company will be collected. Also signature verification of the person(s) issuing the board resolution will be collected, if necessary.
5. Firms with 'sleeping partners', due diligence including personal discussion with the applicant will be done. If income of the partnership firm is being considered, then the Company will collect a letter signed by all the partners authorising the



concerned partner(s) to sign on behalf of the partnership to be continued. Also signature verification of the person(s) issuing this authority letter will be collected, if necessary.

6 Politically exposed persons (PEPs) of foreign origin, same due diligence as NRI/PIO to be undertaken, though the Company is not doing cases of applicants of foreign origin. Only cases of applicants of Indian Origin working abroad are done.

6. Non-face to face customers, due diligence including telephonic/personal discussions be done, if required. Information from reliable sources will be obtained for establishing the existence of the person.

7. Those with dubious reputation as per public information available, etc. If found dubious then the case will not be entertained.

8. Self Employed applicants with returns more than 6 Lacs due diligence will include the details of client profile, personal discussion with the applicant, analysis of bank statement and financial statements, sources of fund will be obtained, if required.

**C. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given below:**

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

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

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

The Company will be careful while processing the cases of business entities specially to establish that individuals are not using those entities for maintaining accounts with it. The Company shall seek information, if required, on the control structure of the entity, source of funds and the natural persons who carry a controlling interest in the management. These requirements may be moderated as

per our credit risk policy and guidelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.

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

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

**(iv) Accounts of Politically Exposed Persons (PEPs) resident outside India**

Politically exposed persons 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, important political party officials, etc. The Company will gather sufficient information as available on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. The Company will verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The above norms may also be applied to the accounts of the family members or close relatives of PEPs

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

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, The Company will do telephonic/personal discussion with the applicant, if necessary. Applicant will be met by the Sales representative of the Company and will fill up the meeting sheet on that basis to mitigate the higher risk involved, as applicable. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for and applicable verification of these documents will be done. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company may have to rely on third party certification/introduction. In such cases, it will be ensured that generally the third party is a regulated and/or supervised entity with an established track record. Hence apart from the existing due diligence for such customers The Company may take resident Indian Co-applicant as a party to the loan proposal or a local resident guarantor to the loan with identity verification.

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

## **5. Monitoring of Transactions**

- a. Ongoing monitoring is an essential element of effective KYC procedures. Since the Company is a housing finance company and all our loans are tenure based with a fixed/variable installment paid through electronic clearing system (ECS) mandate or postdated cheques our monitoring structure will be relevant to our nature of operations. The Company will pay special attention to all unusually large transactions involving large cash and the Company has introduced cash transaction reporting system above Rupees ten lacs. Risk categorization as is mentioned in this policy may be updated as and when required by the management. In case of overdue/default accounts where there is scope for meeting or vetting the profile of this customer again, due diligence if found necessary will be carried out. Subsequent to our sanction, during the period of part disbursement till full disbursement if any unusual transaction/development comes to our knowledge relating to money laundering the same will be verified and notified as required, The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company will ensure that transactions of suspicious nature as defined in Annexure II and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority, as and when detected by our officials through the Principal Officer.
- b. The Company will maintain proper record in accordance with the PML Act, 2002, of all cash transactions (deposits and withdrawals) of Rupees Ten Lakh and above. As a matter of policy, the Company does not accept cash receipts over Rupees Thirty Five Thousand, No loan is disbursed in cash and No monthly installment above Rupees Ten Lakh is accepted in cash. Any transactions of suspicious nature as per **Annexure II** are to be reported to the Principal Officer immediately. In addition thereto, the Branches shall on monthly basis furnish a certificate to the Principal Officer evidencing that neither such prohibited transactions and/nor cash transaction as specified in the policy have taken place.
- c. There will be level-wise categorization of customers i.e. Low, Medium and High. such levels will be decided on the basis of risk element involved in each case which will be determined by considering the following information.

### **Low Risk Category:**

Transactions carried out with low risk category customers are monitored on a daily basis. Transactions are analyzed to see if any of the following conditions are triggered:

- a) Repayment made via cash for more than 3 months consecutively
- b) Any repayment made in cash of value more than Rs 50,000
- c) Any pre-payments in cash of value more than Rs 50,000
- d) Any repayment or pre-payment via Demand Draft of value more than Rs 2 lakhs

If any of the above conditions are triggered, then the respective account would be converted from Low Risk to Medium Risk.

### **Medium Risk Category:**

Transactions carried out with medium risk category customers are monitored on a daily basis. Transactions are analyzed to see if any of the following conditions are triggered:

- a) Repayment made via cash for more than 3 months consecutively
- b) Any repayment made in cash of value more than Rs 50,000
- c) Any pre-payments in cash of value more than Rs 50,000
- d) Any repayment or pre-payment via Demand Draft of value more than Rs 5 lakhs
- e) Cumulative cash payments totaling to more than Rs 5,00,000 in a given financial year.

If any of the above conditions are triggered, then the respective account would be converted from Medium Risk to High Risk.

### **High Risk Category:**

Transactions carried out with high risk category customers are monitored on a quarterly basis. Transactions are analyzed to see if any of the following conditions are triggered:

- a) Repayment made via cash for more than 6 months consecutively
- b) Any repayment made in cash of value more than Rs 100,000
- c) Any pre-payments in cash of value more than Rs 100,000

Any repayment or pre-payment via Demand Draft of value more than Rs 10 lakhs, other than loan closure.

Cumulative cash payments totaling to more than Rs 5,00,000 in a given financial year

If any of the above conditions are triggered, then the respective account would be flagged off as "alert"

## **Maintenance and Preservation of records**

Home First Finance Company India Limited has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. HFFC will maintain for at least ten years from the date of cessation of transaction between the company and the client, all necessary records of transactions, both domestic or international, which will permit reconstruction of individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

HFFC will also ensure that records pertaining to the identification of the customer and his/her address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. The identification records and transaction data will be made available to the competent authorities upon request.

## **Monitoring Risk Categorisation**

An half yearly review will be done by the Credit Committee for all the loans to determine the changes in behaviour of any loan vis--vis the initial risk categorization. This will be done for all the live loans. Accounts will be updated with the revised risk categorization based on a senior management review and approval from the CEO. Whenever there is a change in the risk category of any client, the same will be communicated to him/her through message within 30 days of making such a change.

Since the loans given by the Company are long term in nature going up to 25 years, the Company will monitor the account performance for a minimum of three years prior to making any change in the risk category. This is to ensure that periodic cash flow issues which many a customer may face do not impact his category since they affect performance of the loan only for a brief period. However, if the Credit Head does feel that a particular customer should be re-categorised due to some extremely adverse circumstances, then he/she can recommend change in the risk categorization even before 3 years.

## **6. Risk Management**

### **a. Internal Audit:**

The Company's internal audit department will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures,

including legal and regulatory requirements. Internal Auditors may specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board along with their normal reporting frequency. A compliance conformation from Branch will be obtained by the Principal Officer.

**b. Employee Training:**

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

**c. Customer Education:**

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

**7. Introduction of New Technologies:**

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

**8. E-KYC service:**

The e-KYC service of Unique Identification Authority of India (UIDAI) shall be accepted as a valid process for KYC verification under the PML Rules, as information containing demographic details and photographs made available from UIDAI as a result of e-KYC process shall be treated as an 'Officially Valid Document', and transfer of KYC data, electronically to the Company from UIDAI, shall be accepted as valid process for KYC verification.

The Company shall obtain authorisation from the individual user authorising UIDAI by way of explicit consent to release his/her identity/address through biometric authentication to the Company.

The Company may provide an option for One Time Pin (OTP) based eKYC process for onboarding of customers. Accounts opened by using OTP based eKYC, shall be subject to the following conditions:

- a. There must be a specific consent from the customer for authentication through OTP.
- b. Only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- c. The loan account opened using OTP based eKYC shall not be allowed for more than one year within which Customer Due Diligence (CDD) procedure has to be completed. If the CDD procedure is not completed within a year, no further debits shall be allowed.
- d. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC neither with the Company for other transaction nor with any other financial institution. Further, while uploading KYC information to CKYCR, the Company shall clearly indicate that such accounts are opened using OTP based eKYC and other financial institutions shall not open accounts based on the KYC information of accounts opened with OTP based eKYC procedure.
- e. The Company shall have strict monitoring procedures including systems to generate alerts in case of any noncompliance/ violation, to ensure compliance with the above mentioned conditions.

The Company shall print/download directly, the prospective customer's eAadhaar letter from the UIDAI portal if such a customer knows only his/her Aadhaar number or if the customer has only a copy of Aadhaar downloaded from a place/source elsewhere, provided the prospective customer is physically present in the branch/ office of the Company.

**f. KYC for the Existing Accounts:**

The Company will apply the KYC norms to the existing customers of loan accounts on the basis of materiality and risk envisaged by it for those existing loan accounts. For deposits the guideline is already in place as advised by NHB, vide their circular NHB(ND)/DRS/Pol-No.02/2004-05 dated August 25, 2004. The Company will ensure that term/recurring deposit accounts or accounts of similar nature are treated as new accounts at the time of renewal and are subject to revised KYC procedures.

**g. Non-Cooperation by the customer in respect of KYC norms:**

Where The Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, The

Company will follow up with the existing identified customers for KYC compliance, Closure decision if at all is required will depend upon our internal assessment and will be taken at a Senior Level of Zonal Heads/ GM and above only after issuing due notice to the customer explaining the reasons for taking such a decision.

**h. Sharing KYC information with Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI)- ?? to be checked**

The 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 Central KYC Record Registry vide the Gazette Notification No. S.O. 3183(E) dated November 26, 2015. The Company shall capture the KYC information for sharing with the Central KYC Record Registry in the manner mentioned in the “Prevention of Money-Laundering (Maintenance of Records) Rules, 2005” (and amendments thereto), as required by the revised KYC templates prepared for individuals and non-individuals/legal entities, as the case may be.

The Company shall upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.

**i. Applicability to branches and subsidiaries outside India:**

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

**j. Appointment of Principal Officer:**

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



management committee of the company as and when it occurs.

**k. Appointment of Designated Director**

The Company has appointed Director & CEO as the Designated Director. The Designated Director is located at our Corporate Office and will be responsible for ensuring overall compliance with the obligations imposed under Chapter IV of the Prevention of Money Laundering Act, 2002.

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

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

- a. All cash transactions of the value of more than rupees one million or its equivalent in foreign currency, though by policy The Company do not accept cash deposits in foreign currency.
- b. All series of cash transactions integrally connected to each other which have been valued below rupees one million or its equivalent in foreign currency where such series of transactions have taken place within a month.
- 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 has taken place; any such transactions.
- d. All suspicious transactions as specified in the Annexure.

**m. Information to be preserved:**

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

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

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

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

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

#### **n. Reporting to Financial Intelligence Unit – India**

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

##### **Director, FIU-IND,**

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

#### **o. Miscellaneous**

##### **a. Compliance under Foreign Contribution (Regulation) Act, 1976**

The Company shall also ensure that provisions of the Foreign Contribution (Regulation) Act (FCRA), 1976 are duly adhered to. FCRA regulate the acceptance and utilization of foreign contribution or foreign hospitality received by certain specified persons or associations such as candidates for election, journalist, Judges/Government servants, political party, etc.

However, law permits certain persons or associations to accept the foreign contribution with the approval of the Central Government, as per the provisions of FCRA. In those cases, copy of approval or letter of intimation shall be taken from the customer.

## **POLICY ON STAFF ACCOUNTABILITY**

A Company's internal control and operating procedures are intended to detect and prevent improper activities. However, achieving complete safety against irregularities may not be possible.

Thus, the Company intends to formulate and establish a Staff Accountability Framework.

### 1. OBJECTIVE

The aim of an organization in conducting the exercise of staff accountability should be to safeguard the larger interest of the organization by ensuring that the organization's business is conducted in accordance with the laid down rules and procedures and without jeopardizing its interest. The primary importance is, to identify areas of deficiencies and initiate corrective measures to protect the organisation's interest.

Discretionary powers have been vested in various functionaries to carry out assigned tasks in fulfillment of organizational goals. It is fundamental and unavoidable that there should be accountability for their action. Thus accountability follows delegation. However, no need of penalty should arise as long as the actions are within the framework of laid down procedure and the actions are not detrimental to the interest of the organization. Decisions taken on the basis of available data, at the material time, for business development / achievement of corporate objectives always contain an element of risk. Any system set up for the purpose of staff accountability would take these factors into account and has necessarily to be transparent and objective.

### 2. COVERAGE

#### i. Applies to Whom?

This Staff Accountability Framework is applicable to all employees of the Company.

Acts of Wrongdoings as illustrated below may also include but not necessarily be limited to:

- Forgery or alteration of documents
- Misbehavior with customer
- Delay in resolving customer related complaint
- Unauthorized alteration or manipulation of files
- Fraudulent financial reporting
- Pursuit of a benefit or advantage in violation of the company's interest
- Misappropriation/misuse of Company's resources, like funds, supplies, or other assets including business assets

- Authorizing/receiving compensation for goods not received/services not performed
- Authorizing or receiving compensation for hours not worked
- Improper use of authority for personal gain
- Unauthorized commissions
- Giving and taking bribes
- Theft of Cash/Assets
- Theft of Goods/Services
- Unauthorized Discounts/approvals/sanctions/ guarantee/ assurance including to clients/ inventors
- Falsification/Destruction of Company Records
- Fraudulent Insurance Claims
- Work Place Harassment

## 2. APPROACH :

The approach to be followed while examining staff accountability will be based on the following guidelines:

- i. What was/were the cause/causes that led to loss or likely loss to the company?
- ii. Whether the loss or likely loss to the company was caused due to any negligence / omission / commission on the part of the staff or was it due to reasons beyond their control.
- iii. The basic criteria are to find out whether non-compliance with instructions / systems/ procedures is observed.
  - a) What was the nature of negligence?
  - b) What were they supposed to do which they did not do? c)What did they do which they were not supposed to do?
- iv. It will be critically examined whether the loss would have been avoided had the above- mentioned omission/commission not occurred.
- v. Staff accountability report will specify whether the action on part of official was bonafide /malafide and whether there was any gain to the official himself or somebody else through his actions.
- vi. The report will comment upon the extenuating/ accentuating circumstances under which the official / staff was working at the material time.
- vii. The report needs to cover the details of efforts made for regularization / recovery and quantification of recovery made.

## 4. AUTHORITY: Officer Authorized - The Company Secretary of HFFC will act as an Ombudsman:

### Responsibilities of Ombudsman

- Receiving and acknowledging complaints
- Sorting / Screening / Short listing
- Interim communication to Audit Committee/Managing Director / Whole-time Director/

- Whistle Blower Investigation Committee
- Investigation through appropriate delegation / agencies
- Recommend course of action based on investigation to management
- Prevention of harassment to and redressal of complaints of Vigilant Person/Whistleblower/Tipster
- Ensuring safety of the Vigilant Person from being persecuted within the organization
- Any other related responsibility as decided by the management
- The decision on the course of action on the whistleblower's complaint as taken by the Ombudsman will be final.

### **Meetings and Records**

The Ombudsman will maintain its records such as Agenda, Minutes of the Meeting, Complaint Reports and Action initiated etc.

### **PROCEDURE**

The report shall be submitted to the controlling authority, who in turn shall put up to the approving authority i.e. the next higher authority along with his comments. Approving authority will decide as to the need for further investigation.

If the authority that is approving the staff accountability report is of the view that lapses like gross negligence or malafide may have contributed to the asset slippage, he may arrange to advise the appropriate authority to investigate the matter further. c) The authority approving the Staff accountability report will keep a record of findings with respective functional team and with company secretary .

**ANNEXURE I**

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

<b>Features</b>	<b>Documents ( Certified copy)</b>
<p><b>Individuals</b></p> <ul style="list-style-type: none"> <li>-Legal name and any other names used</li> <li>- Correct permanent address</li> </ul>	<p>(i) Passport (ii) PAN card. In case a Customer does not have a PAN, Form 60, duly signed by the Customer along with a valid identity proof and signature proof, should be accepted (iii) Voter's Identity Card (iv) Driving license (v) Identity card (subject to the HFC's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of HFC.</p> <p>(i) Telephone bill (ii) Bank Account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the HFC) ( any one document which provides customer information to the satisfaction of the HFC will suffice)</p> <p>One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules.</p>
<p><b>Companies</b></p> <ul style="list-style-type: none"> <li>- Name of the company</li> <li>- Principal place of business</li> <li>- Mailing address of the company</li> <li>- Telephone/Fax Number</li> </ul>	<p>(i) Certificate of incorporation (ii) Memorandum &amp; 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.</p>

<p><b>Partnership Firms</b></p> <ul style="list-style-type: none"> <li>- Legal name</li> <li>- Address</li> <li>- Names of all partners and their addresses</li> <li>- Telephone numbers of the firm and partners</li> </ul>	<p>(i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses. (v) Telephone Bill in the name of firm/partners.</p>
<p><b>Trusts &amp; Foundations</b></p> <ul style="list-style-type: none"> <li>- Names of trustees, settlers, beneficiaries and signatories</li> <li>- Names and addresses of the founder, the managers/directors and the beneficiaries</li> <li>- Telephone/fax numbers</li> </ul>	<p>(i) Certificate of registration, if registered (ii) trust deed (iii) Power of Attorney granted to transact business on its behalf (iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/ directors and their addresses (iv) Resolution of the managing body of the foundation/association. (v) Telephone Bill.</p>
<p><b>Unincorporated association or a body of individuals</b></p>	<p>(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.</p>

## ANNEXURE II

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

- a. Customer is reluctant to provide information, data, documents;
- b. Submission of false documents, data, purpose of loan, details of accounts;
- c. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds are doubtful etc;
- d. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- e. Approaches a branch/office of a HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/office nearer to the given address;
- f. Unable to explain or satisfy the numerous transfers in the statement of account/multiple accounts;
- g. Initial contribution made through unrelated third party accounts without proper justification;
- h. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- i. Suggesting dubious means for the sanction of loan;
- j. Where transactions do not make economic sense;
- k. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- l. Encashment of loan amount by opening a fictitious bank account;



- m. Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
- n. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- o. Multiple funding of the same property/dwelling unit;
- p. Request for payment made in favour of a third party who has no relation to the transaction;
- q. Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.
- r. Multiple funding / financing involving NGO / Charitable Organization / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- s. Frequent requests for change of address;
- t. Overpayment of installments with a request to refund the overpaid amount

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