

## **KNOW YOUR CUSTOMER & ANTI MONEY LAUNDERING POLICY**

### **1.OBJECTIVE:**

The objective of “**KNOW YOUR CUSTOMER**” (KYC) guide lines is to prevent SHFL, from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable SHFL to know, or understand our customers & their financial dealings better, which in turn help our company to manage the company’s risks prudently.

### **DEFINITION OF CUSTOMER:**

- A) A person or entity, that maintains an account and/or has a business relationship with SHFL;
- B) One on whose behalf the account is maintained (i.e. beneficial owner);
- C) Beneficiaries of transactions conducted by Professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors etc. as permitted under the Law;
- D) Any person or entity connected with financial transaction which can pose significant reputational or other risks to SHFL, say a wire transfer, or issue of high value Demand Draft as a single transaction.

### **2.CUSTOMER ACCEPTANCE:**

1. Branch should not open any Account in anonymous or fictitious/benami name(s);
2. Identify customers as **VERY LOW, LOW, MODERATE, HIGH & VERY HIGH RISK** based on volume of turnover, mode of payments, social & financial status. Politically exposed persons may be classified as **VERY HIGH** level monitoring category;
3. Not to open an account if the branch is unable to obtain documents to verify the identity due to non-cooperation of the customer or non-reliability of data/ information furnished to SHFL;
4. 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;
5. Individual borrower is permitted to act on behalf of other joint individual borrower(s) in following circumstances:
  - If joint borrower(s) is / are unable to present at the place where documents are being executed
  - If joint borrower(s) is / are not physically fit to execute the documentsProcedure: Joint borrower(s) will execute a specific “Power of Attorney” in favour of individual borrower. Power of Attorney should be duly stamped as per the State Stamp Act and should be registered / notarized as per the State Law.

Where ever the legal entity i.e. partnership firm or a company is executing the document, below mentioned guidelines will be followed:

- True copy of board resolution on company's letter head will be required in case of company.
- Letter of authority on firm's letter head duly signed by all partners will be required in case of partnership firm.

### **3. INTENSIVE/ENHANCED DUE DILIGENCE:**

The following high risk customers require higher due diligence

1. Non Resident customers
2. High net worth Individuals
3. Trusts, Charities, NGOS, & Organizations receiving donations
4. Companies having close family shareholding or beneficial ownership
5. Firms with sleeping partners
6. Politically exposed persons (PEPs) of foreign origin
7. Non face to face customers
8. Those with dubious reputation as per public information available. etc.

### **4. IDENTIFICATION OF CUSTOMER: (as per Rule 9 of PML Rules)**

Identification of customer means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information. Indicative list of nature & type of documents/information that may be obtained /relied upon for customer identification, at the time of commencement of account-based relationship, are given below.

#### **1. Individuals – (Legal name and any other names used and address)**

1. Passport
2. PAN card
3. Voter's Identity Card
4. Driving license
5. Identity card (subject to the SHFL's satisfaction)
6. Letter from a recognized public authority or public servant to the satisfaction of SHFL
7. Aadhar card issued by Unique Identification Authority of India
8. Household card with photograph (in States where it is issued, e.g. Andhra Pradesh)

Correct Address Verification:

1. Telephone bill
2. Bank Account Statement
3. Electricity Bill
4. Letter from Employer (subject to satisfaction of SHFL)
5. Index II / Sale Deed if self-owned property
6. Rent Agreement
7. Valid Passport
8. Aadhar Card issued by Unique Identification Authority of India (subject to address provided by the customer is the same as on Aadhar Card and positive residence verification of the provided address)
9. Valid Driving Licence
10. Gas Connection Bill

**2. Companies** (Name of the company, principal place of business, mailing address of the company, telephone/fax No.)

1. Certificate of Incorporation
2. Memorandum & Articles of Association
3. Resolution from the board of directors
4. Identity proof and address proof documents of authorized signatory on behalf of company
5. List of directors and shareholding pattern
6. Telephone bill
7. Electricity bill

**3. Partnership Firms** (Legal name, Address, Names of all partners & their addresses, Telephone numbers of the firm and partners)

1. Registration certificate, if registered
2. Partnership deed
3. Power of attorney granted to a partner or an employee of the firm to transact business on its behalf
4. Telephone bill in the name of the firm/partners
5. Electricity bill in name of firm/partners
6. Letter of authority on firm's letter head duly signed by all partners along-with identity proof and address proof documents of Letter of Authority holder as well as all other partners.

In all other cases, the company shall verify identity while carrying out :

- (i) transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or
- (ii) any international money transfer operations.

### **5. Monitoring of Transactions**

The Company has developed a robust ongoing monitoring system, which is an essential element for effective implementation of KYC procedures. As the Company is a housing finance company and all loans are tenure based with a fixed/variable instalment paid through electronic clearing system (ECS) mandate or post-dated cheques our monitoring structure will be relevant to our nature of operations. Risk categorization as is mentioned in this policy shall be updated as and when required by the management. 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.

### **6. Risk Management**

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

The Company's internal audit team will evaluate and ensure adherence to the KYC policies and procedures. Internal Auditors may specifically check and verify the application of KYC procedures 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.

#### **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. This will ensure that the staff fully understands the rationale behind the KYC policies and implements them consistently.

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

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

**d) Introduction of New Technologies:**

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

**e) Appointment of Principal Officer:**

An Experienced Officer of the Company shall be designated as Principal Officer of the Company and he / she shall be located at the corporate office of the Company and shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. Principal Officer will maintain close liaison with enforcement agencies, banks and any other institution which are involved in the fight against money laundering and combating financing of terrorism. The Principal Officer shall act independently and report directly to the senior management or to the Board of Directors.

**7. MAINTENANCE OF RECORDS FOR ANTI MONEY LAUNDERING TRANSACTIONS (as per Rule 3 of PML Rules)**

Records of below mentioned transactions should be maintained.

1. All cash transactions of value of more than Rs.10.0 Lac or its equivalent in foreign currency
2. All series of cash transactions integrally connected to each other, which have been valued below Rs.10.0 Lac 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 Rs.10.0 Lac
3. All transactions involving receipts by non profit organizations of Rs.10.0 Lac or its equivalent in foreign currency
4. 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 transactions
5. All suspicious transactions whether or not made in cash & by way of as mentioned in Rule(1) (D)

**7. B. MAINTENANCE AND PRESERVATION OF RECORDS (as per Section 12 of PML Act):**

Section 12 of PMLA requires the maintenance of records as under

1. Records of all transactions, whether attempted or executed, the nature and value of which may be prescribed, will be maintained in such manner as to enable SHFL to reconstruct individual transactions for a period of five years from the date of transaction between the client and SHFL.
2. Maintain the record of documents evidencing identity of its clients and beneficial owners as well as account files and business correspondence relating to its clients for a period of five years after the business relationship between the client and SHFL has or the account has been closed, whichever is later.
3. Every information maintained, furnished or verified, save as otherwise provided under any law for the time being under force, shall be kept confidential.

**8. LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING LOANS:**

1. Customer is reluctant to provide information, data and documents
2. Submission of false documents, data, purpose of loan, details of accounts
3. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.
4. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons.
5. Approaches a branch/office of SHFL, which is away from the customer's residential or business address provided in the loan application, when there is SHFL branch/office nearer to the given address
6. Unable to explain or satisfy the numerous transfers in the statement of account/multiple accounts
7. Initial contribution made through unrelated third party accounts without proper justification
8. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount
9. Suggesting dubious means for the sanction of loan
10. Where transactions do not make economic sense
11. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased
12. Encashment of loan amount by opening a fictitious bank account.
13. 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

14. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase
15. Multiple funding of the same property/dwelling unit
16. Request for payment made in favour of a third party who has no relation to the transaction
17. 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
18. Multiple funding / financing involving NGO / Charitable Organization / Small & Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFG)
19. Frequent requests for change of address
20. Overpayment of instalments with a request to refund the overpaid amount

### **9. 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 th Floor, Hotel Samrat, Chanakyapuri  
New Delhi-110021

Place: Mumbai

Dated: 26<sup>th</sup> of September 2016