

SUPREME
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SUPREME HOUSING FINANCE LIMITED

KYC & AML Policy

1. Introduction

Supreme Housing Finance Limited (“the Company” or “SHFL”) has adopted 'Know Your Customer (KYC)' Policy and 'Anti Money Laundering (AML) Measures' (referred to as “Guidelines”) for lending/ credit/ operations/ financial dealings in line with the extant of guidelines framed by National Housing Bank (“NHB”).

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

2. Key Elements

These Guidelines are framed keeping in mind the above and has the following key elements:

- i.) Customer Acceptance Policy
- ii.) Customer Identification Procedures
- iii.) Monitoring of Transactions
- iv.) Risk management

3. Definition of Customer

For the purpose of KYC Guidelines, a “customer” is 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, chartered accountants, solicitors, mutual funds etc. as permitted under the law; and
- iv.) any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company, say, a wire transfer or issuance of a high value demand draft as a single transaction.

These guidelines would also be applicable to lawyers and valuers empanelled with SHFL.

4. Customer Acceptance Policy

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. No transaction or account based relationship is undertaken without following the Customer due diligence procedure.
- iii. Risk in terms of location of customer and his/her clients and mode of payments are duly checked.
- iv. Volume of turnover, social and financial status, etc. will form the basis to categorize customers into low risk, medium risk and high risk respectively; customers requiring very high level of monitoring, e.g. Politically Exposed Persons would be dealt with due degree of diligence and caution.
- v. Documentation requirements and other information would be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of PMLA, rules framed thereunder and guidelines issued from time to time.
- vi. No account would be opened or an existing account would be closed 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 categorization due to non-co-operation of the customer or non-reliability of the data/information furnished to the Company.
- vii. Suitable built-in safeguards would be put into place to avoid harassment of the customer. For example, decision to close an account may be taken at a reasonably high level in the management of the company after giving due notice to the customer explaining the reasons for such a decision.
- viii. Circumstances, in which a customer is permitted to act on behalf of another person/entity or occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity in conformity with the existing laws and practices are as follows:
 - If the Applicant is a Non Resident Indian
 - If the Applicant is a limited company
 - If the Applicant is a partnership firm
 - Any other circumstance where the applicant cannot be physically present at the branch premises
- ix. Necessary checks would be performed before opening a new account 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.

- x. The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation , is specified.
 - xi. Optional/ additional information, is obtained with the explicit consent of the customer after the account is opened.
 - xii. Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists issued by UN Security Council circulated by National Housing Bank and the sanctions lists circulated by Reserve Bank of India from time to time.
5. The Company shall prepare a customer profile for each new customer during the credit appraisal process based on risk categorization as mentioned in these guidelines. The customer profile will contain information relating to the customer's identity, social/financial status, nature of business activity, information about his/her clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. During the credit appraisal process of the customer, details shall be recorded along with his/ her profile based on meeting with the customer (by the Company representative) apart from collection of applicable documents; this will be as per the Company's credit and product norms which are incorporated in the Credit Risk Policy 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. Any other information from the customer should be sought separately with his/her consent and after opening the account.

The customer profile will be accorded the status of a highly confidential document and details contained therein shall not be disclosed for cross selling or for any other purposes; unless for the purpose of risk minimization or fraud prevention or required by law & regulations or for social/ economic responsibility.

6. As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories:
- i.) **Low Risk Customers** for the purpose of this policy will be individuals (excluding high Net Worth) and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile. In these cases, only the basic requirements of verifying the identity and location of the customer have to be met. Illustrative examples of low risk customers are as under:
 - a) Salaried employees with well-defined salary structures
 - b) People belonging to government departments, regulators, statutory bodies
 - c) People working with government owned companies, regulators and statutory bodies, etc.
 - d) People belonging to lower economic strata of the society whose accounts show small balances and low turnover
 - e) People working with Public Sector Units
 - f) People working with reputed Public Limited Companies and

Multinational Companies

ii.) **Medium Risk Customers** would include:

- a) Salaried applicants with variable income /unstructured income receiving salary in cheque
- b) Salaried applicants working with Private Limited Companies.
- c) Self Employed professionals other than High Net Worth Individuals.
- d) Self Employed customers with sound business and profitable track record for a reasonable period.
- e) High Net worth Individuals with occupational track record of more than 3 years.

iii.) **High Risk Customers** would include:

- a) Non-resident customers,
- b) High net worth individuals, without an occupational track record of more than 3 years.
- c) Trusts, charities, NGOs and organizations receiving donations
- d) Companies having close family shareholding or beneficial ownership,
- e) Firms with 'sleeping partners',
- f) Politically exposed persons (PEPs) of foreign origin,
- g) Non-face to face customers,
- h) Those with dubious reputation as per available public information, etc

The Company shall apply enhanced due diligence measures based on the above risk assessment, thereby requiring intensive “due diligence” for higher risk customers, especially those for whom the sources of funds are not clear.

7. Politically Exposed Persons (PEPs) will be given due consideration and may, if considered necessary be categorized even higher risk, and their account will be open only after formal approval of senior management of the company. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the Company shall obtain senior management approval in such cases to continue the business relationship, and also undertake enhanced monitoring as indicated and specified in **Annexure-I**.
8. The company will ensure that our Customer Acceptance Policy and its implementation shall not become too restrictive and will not result in denial of our services to general public, especially to those, who are financially or socially disadvantaged.

9. Customer Identification Procedure

Customer Identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information.

As per Rule 9 of the Prevention of Money-Laundering (Maintenance of Records of the nature and Value of Transactions, The Procedure and Manner of Maintaining and Time for Furnishing information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter

referred to as "PML Rules"), requires every Housing Finance Company (HFC):

- a) at the time of commencement of an account-based relationship, verify the identity of the customer and obtain information on the purpose and intended nature of the business relationship, and
- b) in all other cases, verify identity at the time of processing:
 - i.) the transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or multiple transactions that appear to be connected,
or
 - ii.) any international money transfers operations.

As per Rule 9 of the PML Rules, the Company shall identify the beneficial owner and take all reasonable steps to verify his/ her identity. The Company shall also exercise ongoing due diligence with respect to the business relationship with every customer and closely examine the transactions in order to ensure that transactions are consistent with our knowledge of the customer profile, his business/ activity nature and risk categorization.

The Customer Identification procedure shall be carried out at different stages, i.e.

- a) while establishing a relationship;
- b) carrying out a financial transaction or
- c) When there is a doubt about the authenticity/ veracity or the adequacy of the previously obtained customer identification records/ information.

As per Rule 9 of the PML Rules, the Company shall obtain sufficient and reliable documents or information necessary to establish to its satisfaction, the identity of each new customer, (whether regular or occasional) and the clear purpose of the intended nature of relationship. According to the said Rules, the documents/ information to be obtained for identifying various types of customers i.e. individuals, companies, partnership firms, trusts, unincorporated association or a body of individuals and juridical persons. Customer identification requirements keeping in view the provisions of the said rules are indicated in **Annexure-I**, also indicative list of the nature and type of documents/ information that may be relied upon for customer identification is given in the **Annexure-II**. The Company will ensure compliance to the above rule.

The Company shall frame internal guidelines based on their experience of dealing with such persons/entities, normal prudence and the legal requirements.

The Company shall implement the Client Identification Programme to determine the true and correct identity of its customer keeping the above in view.

10. Monitoring of Transactions

Ongoing monitoring is an essential element of effective KYC procedures.

Maintenance of records of transactions:

- (a) The Company shall ensure that there is 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 such

period as specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

(b) The 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.
- (b) the Company shall take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows information to be retrieved easily and quickly whenever required or requested by the competent authorities.

It shall also ensure that transactions of suspicious nature and/or any other type of transaction notified under section 12 of the PML Act, 2002 (and the Amended Act, 2009), is reported to the appropriate law enforcement authority.

Furnishing of information to the Director, Financial Intelligence Unit - India (FIU-IND):

(i) In terms of the provisions of the Rule 8 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005. The Company shall, inter-alia, furnish to the Director, FIU-IND, within such time and in such form, the information in respect of transactions as referred under sub-rule (1) of rule 3 of the said Rules.

(ii) A copy of information furnished will be retained by the 'Principal Officer' for the purposes of official record.

Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the reporting entities for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

(iii) The Company assures that it shall not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period.

(iv) The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports will be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR)/ Suspicious Transaction Reports (STR) which FIU-IND has placed on its website will be made use of by the Company.

(v) While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction

beyond the time limit as specified in the said Rules shall be constituted as a separate violation.

(vi) The Company shall not put any restriction on operations in the accounts where an STR has been filed. The Company will keep the fact of furnishing of STR strictly confidential. It will be ensured that there is no tipping off to the customer at any level.

(vii) Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers may be put in to use as a part of effective identification and reporting of suspicious transactions.

Reporting requirement under Foreign Account Tax Compliance Act(FATCA) and Common Reporting Standards (CRS)

(i) Under FATCA and CRS, The Company adheres 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, following steps would be taken for complying with the reporting requirements:

(a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution

(b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to. Explanation – spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://wwwfedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H of Income Tax Rules will be referred.

(c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for Version 1.4 Private and Confidential 20 recording and maintaining the same, as provided in Rule 114H of Income Tax Rules.

(d) Develop a system of audit for the IT framework and compliance with Rules 114F,114G and 114H of Income Tax Rules.

(e) We have Constituted a "High Level Monitoring Committee" (Credit Committee) under the Designated Director to ensure compliance.

(f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time.

(ii) In addition to the above, other United Nations Security Council Resolutions (UNSCRs)circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time to time shall also be taken note of

11. Risk Management

The Board of Directors of the Company shall ensure that an effective KYC program is in place and by establishing appropriate procedures and is overseeing its effective implementation. The program shall cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility shall be explicitly allocated within the Company to ensure that The Company's policies and procedures are implemented effectively.

The Board of the Company will be updated from time to time about all customers of the Company having low risk profile given the nature of its business, unless belonging to a higher risk profile listed above and approved as an exception. The Company shall apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

The Board of Directors of the Company through its Audit Committee will directly evaluate and ensure adherence to the KYC policies and procedures, including legal and regulatory requirements.

Given the nature of the business of the Company – small ticket loans to low income financially excluded families have categorized as low risk customers. It is highly unlikely that the Company will have any medium / high risk clients given its focus on the lower income section of society, but for information, examples of customers requiring higher due diligence may include:

- (a) Non-resident customers,
- (b) High net worth individuals,
- (c) trusts, charities, NGOs and organizations receiving donations,
- (d) companies having close family shareholding or beneficial ownership,
- (e) Firms with 'sleeping partners',
- (f) Politically exposed persons (PEPs) of foreign origin,
- (g) non-face to face customers, and
- (h) Those with dubious reputation as per public information available, etc.

The Recommendations made by the Financial Action Task Force (FATF) on Anti Money Laundering (AML) standards and on Combating Financing of Terrorism (CFT) standards should also be used in risk assessment.

12. Internal Audit

The Company's Internal Audit and Compliance functions shall 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. The Management under the supervision of Board/ Audit Committee shall ensure that the audit function is staffed adequately with skilled/ trained individuals.

Internal Auditors will specifically check and verify the application of KYC procedures at the branches/ offices 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 in quarterly meetings or with their normal reporting frequency.

13. Employee Training

The Company shall have an ongoing employee training programs so that the staff members are adequately trained in KYC procedures & Anti-Money Laundering measures. 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.

14. Customer Education

The Company shall educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information. The Company shall make KYC guidelines available on website, displayed in branches/ office and prepare specific literature/ pamphlets, etc., which can be made available to customer upon request, to educate the customer about the objectives of the KYC programme.

15. Introduction of New Technologies

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

16. Applicability to branches/offices and subsidiaries outside India

The KYC guidelines shall also apply to the branches/ offices 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/ offices. When local applicable laws and regulations prohibit implementation of these guidelines, the same shall be informed to National Housing Bank(NHB) and Reserve Bank of India(RBI).

17. Appointment of Principal Officer

The Company shall designate a senior employee as **Principal Officer** who shall be located at Head/ Corporate office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He/ She will maintain close liaison with enforcement agencies, HFCs and any other institution(s) which are involved against money laundering and combating financing of terrorism.

Details of Principal Officer and any change therein shall be informed to NHB and Financial Intelligence Unit India (FIU).

18. Maintenance of records of transactions

The Company shall maintain proper record of the transactions as required under Section 12 of the PMLA read with Rules 3 of the PML Rules as mentioned below:

- i.) All cash transactions of the value of more than rupees ten lacs or its equivalent in foreign currency.
- ii.) 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 lakhs.
- iii.) All transactions involving receipts by non-profit organizations of rupees ten lacs or its equivalent in foreign currency.
- iv.) 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 such transactions; and
- v.) All suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3 (1) (D).

An Illustrative List of suspicious transaction pertaining to Builder Project/ Corporate Clients and pertaining to Individuals are given in **Annexure- IIIA and IIIB.**

19. Records to contain the specified information

The Company shall maintain records referred to above in Rule 3 of PML Rules to contain the following information:

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

20. Maintenance and Preservation of records

Section 12 of PMLA requires every housing finance company to maintain records as under:

- (a) records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years or as required under the PMLA, from the date of transactions between the clients and the Company.
- (b) records/ documents pertaining to the identification of customers e.g copies of documents, like Passport, Identity Card, Driving Licenses, PAN, Utility bills etc. will be maintained for a period of ten years or as required under the PMLA, from the date of cessation of transactions between the customer and the Company.

The Company shall ensure that proper maintenance and preservation of records/ information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever

required, or when requested by the competent authorities upon request through the Principal Officer.

21. Reporting to Financial Intelligence Unit India

The Principal Officer shall 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 PML rules, in the prescribed formats as designed and circulated by NHB at the following address:

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

The employees of the Company shall maintain strict confidentiality of the fact of furnishing/reporting details of suspicious transactions.

Note: Reports shall be submitted to the FIU-IND in the prescribed formats and within the prescribed time limit.

22. Compliance under Foreign Contribution (Regulation) Act, 1976

The Company shall ensure that the provisions of Foreign Contribution and Regulation Act, 1976, wherever applicable, are duly adhered to.

FCRA regulates 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.

23. Secrecy Obligations and Sharing of Information:

(i) The Company shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.

(ii) While considering the requests for data/information from Government and other agencies SHFL shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in transactions.

24. Sharing KYC information with Central KYC Records Registry (CKYCR)

SHFL 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 Securitization 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. The HFCs are required to upload the Know Your Customer (KYC) data with CERSAI in respect of new individual accounts opened on or after November 01, 2016.

25. Selling Third party products:

SHFL acting as agents while selling third party products shall comply with the applicable laws/regulations, including system capabilities for capturing, generating and analysing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products with customers.

26. 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) HFCs 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 HFC 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 categorized as 'low risk'. In case of low risk customers when there is no change in status with respect to their identities and addresses, as certification to that effect shall be obtained.
 - v) In case of Legal entities, HFCs shall review the documents sought at the time of opening of account and obtain fresh certified copies.

- b) HFCs 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) HFCs 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.

27. General

Where the Company is unable to apply appropriate KYC measures due to non-furnishing of

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information and/or non-cooperation by the customer, the Company may consider closing the account or terminating the business relationship after assessing the account at senior management and above upon issuing notice to the customer explaining the reasons for account closure.

**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. The company shall 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. While opening an account for a trust, the company should take reasonable precautions to verify the identity of the trustees and the settlors of trust (including any person settling assets into the trust), grantors, protectors, beneficiaries and signatories. Beneficiaries should be identified when they are defined. In the case of a 'foundation', steps should be taken to verify the founder managers/directors and the beneficiaries, if defined. If the company decides to accept such accounts in terms of the Customer Acceptance Policy, the company should 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. The company needs to be vigilant against business entities being used by individuals as a front for maintaining accounts with the company. The company shall verify the legal status of the legal person/ entity through proper and relevant documents. The company shall 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. The 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 comprise the management. These requirements may be moderated according to the risk perception, e.g. in the case of a 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. The company may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where the the company relies on the 'customer due diligence' (CDD) done by an intermediary, it shall satisfy itself that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements. It should be understood that the ultimate responsibility for knowing the customer vests with the company.

Accounts of Politically Exposed Persons (PEPs) resident outside India

4. Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign company, 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 shall gather sufficient information 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 shall verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The decision to open an account for PEP should be taken at a senior level which should be clearly spelt out in Customer Acceptance Policy. The company shall also subject such accounts to enhanced monitoring on an ongoing basis. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

Accounts of non-face-to-face customers

5. In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, there must be specific and adequate procedures to mitigate the higher risk involved. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for. In the case of 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 must be ensured that the third party is a regulated and supervised entity and has adequate KYC systems in place.

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

Features	Documents (Certified Copy)
<p>Individuals -Legal name and any other names used</p>	<p>i.) Passport ii.) PAN card iii.) Voter's Identity Card iv.) Driving license v.) Aadhar Card vi.) Identity card (subject to the Company's satisfaction) vii.) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of Company</p>
<p>Individuals -Correct permanent address</p>	<p>i.) Telephone bill ii.) Bank Account statement iii.) Letter from any recognized public authority iv.) Electricity bill v.) Ration card vi.) Property or Municipal Tax receipt vii.) Letter from employer (subject to satisfaction of the Company) (any one document which provides customer information to the satisfaction of the Company will suffice) One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules</p>
<p>Companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number</p>	<p>i.) Certificate of incorporation and Memorandum & Articles of Association ii.) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account iii.) Power of Attorney granted to its managers, officers or employees to transact business on its behalf iv.) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf v.) Copy of PAN allotment letter vi.) Copy of the telephone bill</p>
<p>Partnership Firms - Legal name - Address - Names of all partners and their addresses</p>	<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</p>

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<ul style="list-style-type: none"> - Telephone numbers of the firm and partners 	<ul style="list-style-type: none"> 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>Trusts & Foundations</p> <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.) Telephone bill
<p>Unincorporated association or a body of individuals</p>	<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 Company to collectively establish the legal existence of such as association or body of individuals.
<p>Sole proprietorship firm</p>	<ul style="list-style-type: none"> (i) Registration certificate. (ii) Certificate/licence issued by the municipal authorities under Shop and Establishment Act. (iii) Sales and income tax returns. (iv) CST/V AT/CST certificate (provisional/ final). (v) Certificate/registration document issued by Sales Tax/Service Tax/ Professional Tax authorities. (vi) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DCFT/Licence/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute. (vii) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax authorities. (viii) Utility bills such as electricity, water, and landline telephone bills. (ix) identification information as mentioned in case of Individual in respect of the individual (proprietor) shall be obtained.

**SUPREME
HOME LOANS**

Juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats,	(i) Document showing name of the person authorised to act on behalf of the entity; (ii) Aadhaar/PAN/ OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and (iii) Such documents as may be required by the HFC to establish the legal existence of such an entity/juridical person.
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*‘Officially valid document’ 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.

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

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

**ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO
INDIVIDUALS:**

- 1) Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- 2) Unnecessarily complex client structure.
- 3) Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear.
- 4) Customer is reluctant to provide information, data, documents;
- 5) Submission of false documents, data, purpose of loan, details of accounts;
- 6) Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
- 7) Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- 8) Approaches a branch/ office of HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/ office nearer to the given address;
- 9) Unable to explain or satisfy the numerous transfers in the statement of account/ multiple accounts;
- 10) Initial contribution made through unrelated third-party accounts without proper justification;
- 11) Availing a top-up loan and/ or equity loan, without proper justification of the end use of the loan amount;
- 12) Suggesting dubious means for the sanction of loan;
- 13) Where transactions do not make economic sense;
- 14) Unusual financial transactions with unknown source.
- 15) Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.
- 16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- 17) Encashment of loan amount by opening a fictitious bank account;
- 18) Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
- 19) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- 20) Multiple funding of the same property/dwelling unit;
- 21) Request for payment made in favour of a third party who has no relation to the transaction;
- 22) Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.
- 23) Multiple funding / financing involving NCO / Charitable Organisation / Small/ Medium Establishments (SMEs) / Self Help Groups (SHCs) / Micro Finance Groups(MFGs)
- 24) Frequent requests for change of address;
- 25) Overpayment of instalments with a request to refund the overpaid amount.
- 26) Investment in real estate at a higher/lower price than expected.
- 27) Clients incorporated in countries that permit bearer shares.