



## Indiabulls Housing Finance Limited

### Policy on 'Know Your Customer' (KYC) and Anti-Money Laundering (AML) Measures

#### 1 Introduction & Objectives

As per NHB guidelines on KYC policy mentioned in their policy reference number NHB/ND/DRS/Pol-No.33/2010-11(Updated as per revised NHB Guidelines issued vide Circular No NHB/ND/DRS/Policy Circular No 94 dated 19<sup>th</sup> March 2019) , Indiabulls Housing Finance Limited (IHFL) is required to have its KYC policy for lending / credit operations / financial dealings in line with extant guidelines framed therein. In view of the same, IHFL has adopted the said KYC guidelines with suitable modifications depending on the activity undertaken by it.

#### 2. Applicability & Validity of the Policy

It may be noted that KYC – AML policy as stated in this document shall prevail over anything else contained in any other document / process/circular/letter/instruction in this regard (KYC-AML). This policy shall be applicable to all verticals/products of the Company whether existing or to be rolled out in future.

#### 3. Key Elements of the Policy

The Company hereunder framing its KYC policies incorporating the following four key elements:

- (i) Customer Acceptance Policy;
- (ii) Customer Identification Procedures;
- (iii) Monitoring of Transactions; and
- (iv) Risk Management

#### 4.1.Customer Acceptance Policy

The Customer Acceptance Policy of IHFL is aimed at ensuring that explicit guidelines are in place on the following aspects of customer relationship with the Company: -

- No account is opened in anonymous or fictitious/benami name(s).
- No account shall be allowed to open whose name is appearing in negative list maintained by the Company or in the list of individual and entities circulated from time to time by the UN-Anti terrorists action tusk force and as well as regulatory bodies in India

- Parameters of risk perception are clearly defined in terms of the location of customer and his clients and mode of payments, volume of turnover, social and financial status, etc. to enable categorization of customers into low, medium and high risk (HFCs may choose any suitable nomenclature, viz. level I, level II, level III etc.); customers requiring very high level of monitoring, e.g. Politically Exposed Persons may, if considered necessary, be categorised even higher. 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 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. Illustrative examples of low risk customers could be:
    - (a) Salaried applicants with salary paid by cheque.
    - (b) People belonging to government departments,
    - (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 & 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 HNIs
    - (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** that are likely to pose a higher than average risk to us may be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per our credit risk policy and guidelines of operations manual. Examples of high-risk customers requiring higher due diligence may 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) Individual related to Director/promoter of the group/associate companies
- (i) Those with dubious reputation as per available public information, etc.

#### 4.1.1. Customer Due Diligence (CDD) Procedure

Customer Due Diligence means to identify the clients, verify their identity, obtaining information on the purpose and intended nature of the business relationship. Intending customer is required submit documentary proof for e.g, identity proof, address proof and other relevant documents for verifications. All documents provided by the customer (for applicant/co-applicant /guarantor and other related parties) should be sighted in original and verified by the IHFL Employee/Sourcing Channel Partner who is authorized to do OSV and signed with "Original Seen and Verified" stamp. Documentations that are required to made are as follows:

- For this purpose, it is to be noted that the submission of Aadhaar by an individual as a KYC document in case he is not desirous to receive any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act shall not be insisted. However, the individual, if so desires, may provide the same out of his own volition. Customers, at their option, shall submit one of the OVDs. And where the customer is submitting Aadhaar, the company shall be guided by directions issued by Unique Identification Authority of India from time to time and carry out authentication as per guidelines.
- A customer already having an account-based relationship with IHFL shall submit his Permanent Account Number (PAN) or Form No.60, on such date as may be notified by the Central Government, failing which the account shall temporarily cease to be operational till the time the Permanent Account Number or Form No. 60 is submitted by the customer. An accessible notice and a reasonable opportunity to be heard shall be provided to the customer before temporary ceasing of operations of his account. "Temporary ceasing of operations" in relation to an account means the temporary suspension of all transactions or activities (except credits) in relation to that account till such time the customer complies with this provision.
- If an existing customer having an account-based relationship gives in writing to IHFL that he/ she does not want to submit his/her Permanent Account Number or Form No.60, as the case may be, the customer's account shall be closed and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer. The customer shall be duly informed by about this provision while opening their account.
- Customer account shall be continued to be operated, if he/she is unable to provide PAN or Form 60 owing to any injury, illness or infirmity on account of old age or otherwise and such like causes.
- **Enhanced Due diligence to be under taken for an Accounts of Politically Exposed Persons (PEPs):** Politically Exposed Persons (PEPs) are individuals who are or have been entrusted with prominent public functions e.g., Heads of States/ Governments, senior politicians, senior government/ judicial/ military

officers, senior executives of state-owned corporations, important political party officials, etc. It is allowed to establish a relationship with PEPs (including the accounts where PEP is the beneficial owner)

**4.1.2** If an existing KYC compliant customer desires to open another account us, there is no need for a fresh Customer due Diligence (CDD) exercise.

#### **4.2. E-KYC Procedures**

As per the NHB Circular reference **NHB (ND)/ (DRS/Policy Circular No.72/2014-15 April 23, 2015** to reduce the risk of identity fraud, document forgery and have paperless KYC verification, UIDAI has launched its e-KYC service. Accordingly, it has been decided to accept e-KYC service as a valid process for KYC verification under Prevention of Money Laundering (Maintenance of Records) Rules, 2005. Further, the information containing demographic details and photographs made available from UIDAI as a result of e-KYC process ("which is in an electronic form and accessible so as to be usable for a subsequent reference") may be treated as an officially valid document under PML Rules. In this connection, it is advised that while using e-KYC service of UIDAI, the individual user has to authorize the UIDAI, by explicit consent, to release her or his identity/address through biometric authentication to the HFC branches/ offices, The UIDAI then transfers the data of the individual comprising name, age, gender, and photograph of the individual, electronically to the HFCs, which may be accepted as valid process for KYC verification.

#### **4.3. CDD Measures for Identification of Beneficial Owner**

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

- Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in places shall be obtained.

##### **Definition of Beneficial Owner (BO):**

- Where the client is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has a controlling ownership interest or who exercises control through other means.
  1. shareholding or management rights or shareholders agreements or voting agreements;

- where the client is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of/entitlement to more than fifteen percent of capital or profits of the partnership;
- where the client is an unincorporated association or body of individuals, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has ownership of or entitlement to more than fifteen percent of the property or capital or profits of such association or body of individuals;

## **5. Periodic Updation of KYC Documents**

Periodic Updation means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the National Housing Bank. It needs to 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 from the date of opening of the account/ last verification of KYC as per the following procedure:

- (a) PAN verification from the verification facility available with the issuing authority and
- (b) Authentication, of Aadhaar Number already available with the company with the explicit consent of the customer.
- (c) In case identification information available with Aadhaar does not contain current address, an OVD containing current address may be obtained.
- (d) Certified copy of OVD containing identity and address shall be obtained at the time of periodic Updation from individuals except those who are categorised as 'low risk'. In case of low risk customers when there is no change in status with respect to their identities and addresses, a self-certification to that effect is to be obtained.
- (e) In case of Legal entities, documents, sought at the time of opening of account, to be reviewed and their fresh certified copies to be obtained.
- (f) 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 is required to establish their bona-fides. OVD / Consent forwarded by the customer through mail/ post are acceptable.
- (g) An acknowledgement along with the date of performing KYC Updation to be provided to the customer.

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 may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to

be taken at a reasonably senior level. Company may, if required called for additional information/documents for validating customer's credential.

**6. Monitoring of Transactions:**

As per regulatory guidelines and provisions of PMLA Act, all transactions carried out by the customer shall be closely monitored by the Company. In case, as per understanding of the Company, transactions carried out by a customer found to be suspicious/ doubtful, may reject such transaction/s.

**7. Reporting of Transactions:**

AS per provisions of PMLA Act and rules framed therein, transactions, including large cash transactions carried out by a customer found to be suspicious / doubtful( as defined in FIU Guidelines), Company shall report such transaction to FIU through the prescribed reporting format to FIU-India.

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**ANNEXURE-I**

**CUSTOMER IDENTIFICATION PROCEDURE**

S no.	Category	Documents
1.	<b>Individual -Resident/ Non-Resident; Proprietor; Persons such as partner, director, employee, manager, trustee etc. holding an attorney to transact on the behalf of legal entity</b>	a) <b>PAN or Form 60 at the time of acceptance of new customer.</b> However, customer has to submit copy of PAN card within sixty days from the date of application as submission of PAN is mandatory. <b>and</b> b) <b>One Certified copy</b> of an Officially Valid Document (OVD) * (refer Note 1 below). List of OVDs: - 1) Passport 2) Driving Licence 3) Voter's Identity Card issued by Election Commission of India 4) Proof of possession of Aadhaar Number** 5) Job card issued by NREGA duly signed by an officer of the State Government <b>6) the letter issued by the National Population Register containing details of name, address, and</b>

		<p>c) <b>One recent Photograph;</b>  d) <b>Aadhaar Number</b> (only where customer is desirous of taking benefit of any kind of subsidy).</p>
2.	<b>Sole Proprietorship Firm</b>	<p>In addition to the documents as stated in category 1 above for the proprietor, <b>any two</b> of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:-</p> <p>(a) Registration certificate.  (b) Certificate/licence issued by the municipal authorities under Shop and Establishment Act.  (c) Sales and income tax returns.  (d) CST/VAT/GST certificate (provisional/ final).  (e) Certificate/registration document issued by Sales Tax/ Professional Tax authorities.  (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DCFT.  g) Licence/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.  (h) 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.  (i) Utility bills such as electricity, water, and landline telephone.</p> <p><b>In cases it is not possible to furnish two such documents, any one of the above documents can be accepted as proof of business/activity.</b></p> <p>Also, it is necessary to undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and to verify the business activity from the address of the proprietary concern.</p>
3.	<b>Company</b>	<p>a) Certified copy of Certificate of incorporation;  b) Certified copy of Memorandum and Articles of Association;  c) Certified copy of PAN;  d) Certified copy of resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf and  e) Documents as mentioned in category 1 above for Individual persons holding an attorney to transact on its behalf.</p>

4.	<b>Partnership Firm</b>	<p>a) Certified copy of Registration certificate under Indian Partnership Act/ Limited Liability Partnership Act;</p> <p>b) Certified copy of Partnership deed;</p> <p>c) Certified copy of PAN;</p> <p>d) Documents as mentioned in category 1 above for Individual persons holding an attorney to transact on its behalf.</p>
5.	<b>Trusts &amp; Foundation</b>	<p>a) Certified copy of Registration certificate;</p> <p>b) Certified copy of Trust deed;</p> <p>c) Certified copy of PAN or Form 60;</p> <p>d) Documents as mentioned in category 1 above for Individual persons holding an attorney to transact on its behalf.</p>
6.	<b>Unincorporated association (including Unregistered Trusts/Partnership Firms) or a body of individuals (including Society)</b>	<p>a) Certified copy of Resolution of the managing body of such association or body of individuals;</p> <p>b) Certified copy of Power of attorney granted to him to transact on its behalf;</p> <p>c) Certified Copy of PAN or Form 60;</p> <p>d) Documents as mentioned in category 1 above for Individual persons holding an attorney to transact on its behalf;</p> <p>e) Such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.</p>
7.	<b>Juridical persons not specifically covered above such as Government or its Departments, societies, universities and local bodies like village panchayats,</b>	<p>a) Certified copy of document showing name of the person authorised to act on behalf of the Entity;</p> <p>b) Documents as mentioned in category 1 above for Individual persons holding an attorney to transact on its behalf.</p>

*\*Obtaining a certified copy shall mean comparing the copy of OVD so produced by the client With the original and recording the same on the copy by the authorised officer of the company.*

*\*\* It is necessary to **redact or blackout customer's Aadhaar number** at the time of its submission to the company where no authentication is to be carried out.*

***Authentication** means the process by which the Aadhaar number along with demographic information or biometric information of an individual is submitted to the Central Identities*



*Data Repository for its verification and such Repository verifies the correctness, or the lack thereof, on the basis of information available with it.*

**Note 1:** - In case of officially valid document furnished by the client does not contain updated address, the following documents shall be deemed to be officially valid documents for the limited purpose of proof of address: -

- (a) utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- (b) property or Municipal tax receipt;
- (c) pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- (d) letter of allotment of accommodation from employer issued by State Government or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;
- (e) For customers having low economic background or belongs to EWS categories, leaving in rented house, copy of rent agreement shall be accepted for taking the customer on board, on condition that customer promise to submit updated OVD at latter date, provided, the applied loan amount does not exceed ceiling of the priority sector loan. The above relaxation in acceptance of address proof is giving to facilitate financial inclusion to persons belong to the deprived section of the society only.

**It is to be noted that the customer is required to submit updated officially valid document with current address within a period of three months of submitting the above documents.**