

## Know Your Customer & Anti Money Laundering Policy

India Shelter Finance Corporation (India Shelter) has been providing finance solutions to households belonging to low income strata of the country. India Shelter, in line with Know Your Customer guidelines issued by NHB, follows all best industry practices to ensure that it is not used, intentionally or unintentionally, by criminal elements for money laundering activities.

KYC procedures also enable India Shelter to know/understand its customers and their financial dealings better which in turn help it manage its risks prudently. For the purpose of this definition India Shelter has defined its “Customer” as following:

- a) a person or entity that maintains a loan account and/or has a business relationship with India Shelter;
- b) one on whose behalf the account is maintained (i.e. the beneficial owner);
- c) beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law, and
- d) any person or entity connected with a financial transaction which can pose significant reputational or other risks to India Shelter, say, a wire transfer or issue of a high value demand draft as a single transaction
- e) All associates / agencies / intermediaries such as empanelled lawyers, valuers, FI agencies, Builders, seller of properties, DSAs/DSTs and any other intermediary.

India Shelter has framed its KYC policy incorporating the following four key elements:

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

## Customer Acceptance Policy (CAP)

India Shelter has formulated a robust CAP which aims to verify the identity and address of customer by using reliable, independent source documents, data or information. India Shelter shall rely on Officially Valid Documents as defined under PMLA Act, 2002 and / or as defined by NHB and RBI or documents mentioned under “simplified measures” or on e-KYC allowed by UIDAI. It will, however, be ensured that CAP does not lead to any customer harassment or leads to denial of financial service to general public especially to those who are financially or socially disadvantaged. Following shall be the hallmark of India Shelter’s CAP:

- a) No account shall be opened in anonymous or fictitious/benami name(s)
- b) No non face to face account or account operated by any intermediary shall be opened
- c) Necessary checks will be undertaken to ensure that identity of a new customer does not match with any person with known criminal background or banned entities such as terrorist organization
- d) Given the low ticket size of our loans and type of clients, which includes women of the household, all our customers are considered to be of “low risk”
- e) Documentation requirements and other information shall be collected from customers keeping in mind the requirements of PML Act, 2002 and guidelines issued from time to time.
- f) India Shelter will not give a loan to any applicant and shall close any existing loan where the India Shelter is unable to apply appropriate customer due diligence measures i.e. where the India Shelter is unable to verify the identity and/or obtain documents required as per the extant policies of India Shelter due to the non-cooperation of the applicant/customer or non-reliability of the data/information furnished by such applicant/customer. The decision to close any existing loan account due to failure to meet CAP shall be taken by Principal Officer
- g) In case the customer is unable to be present at the branch location physically, necessary checks will be done prior to disbursement of the loan through India Shelter's designated officers or an agency appointed by the India Shelter to ensure the identity and contact details of the customer

## Customer Identification Procedure (CIP)

Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information. India Shelter will obtain sufficient information necessary to establish, to its satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being satisfied means that India Shelter must be able to satisfy the competent authorities that due diligence was observed in compliance with the extant guidelines in place.

India Shelter will follow NHB guidelines on the Customer Identification Procedure at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when India Shelter has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

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 India Shelter to:

- a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and
- b) in all other cases, 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.

India Shelter will ensure that relevant documents as listed in **Annexure I** are obtained from prospective customers in order to carry out the necessary due diligence for establishing their identity at the above mentioned stages.

While undertaking customer identification, India Shelter shall ensure that:

- (a) Decision-making functions of determining compliance with KYC norms shall not be outsourced.
- (b) Introduction shall not be sought for opening loan accounts
- (c) The customers shall not be required to furnish an additional OVD, if the OVD submitted by the customer for KYC contains both proof of identity and proof of address.
- (d) A customer shall not be required to furnish separate proof of current address, if it is different from the address recorded in the OVD. In such cases, India Shelter shall merely obtain a declaration from the customer indicating the address to which all correspondence will be made by India Shelter.
- (e) The local address for correspondence, for which their proof of address is not available, shall be verified through 'positive confirmation' such as acknowledgment of receipt of letter, cheque books, ATM cards, telephonic conversation, visits to the place, or the like.
- (f) In case it is observed that the address mentioned as per 'proof of address' has undergone a change, India Shelter shall ensure that fresh proof of address is obtained within a period of six months.
- (g) In case the person who proposes to open an account does not have an OVD as 'proof of address', such person shall provide OVD of the relative as provided at sub-section 77 of Section 2 of the Companies Act, 2013, read with Rule 4 of Companies (Specification of definitions details) Rules, 2014, with whom the person is staying, as the 'proof of address'. Explanation: A declaration from the relative that the said person is a relative and is staying with him/her shall be obtained.

### **Monitoring of Transactions**

Constant monitoring is an essential element of effective KYC procedures. The loans of India Shelter are tenure based with installments paid through electronic clearing system (ECS) mandate or Direct Debit Mandate (DDM) with low incident of cash repayment.

Unusually large cash transactions will be rare given that the maximum loan India Shelter currently offers is Rs.20,00,000/-.India Shelter will still pay special attention to all unusually large cash transactions as provided under NHB / PMLA guidelines. Monitoring for cash transactions especially for loan closures will be done and reviewed by India Shelter periodically for identifying anomalies and to carry out due diligence if required as to source of funds or re-

verifying identity of the borrower. Apart from this India Shelter will also carry out the following activities:

- a) Risk categorization of the customer to be reviewed every year by Risk Management Committee or if any incidence is observed which merits review earlier;
- b) India Shelter 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 within the specified time;
- c) Branches will ensure that no disbursements are done in cash and shall, on a 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

### **Risk Management**

India Shelter has ensured that an effective KYC program is in place and has established appropriate procedures and is overseeing its effective implementation. The program covers proper management oversight, systems and controls, segregation of duties, training and other related matters. India Shelter is aware that while all customers will be of low risk profile given the nature of its business, there are chances of migration of a customer from low risk to medium / high risk, and it will apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

Front line staff and credit staff of India Shelter are aware that no loan accounts will be created unless the KYC procedures are adhered to completely.

India Shelter through its Audit Committee will directly evaluate and ensure adherence to the KYC policies and procedures, including legal and regulatory requirements. The Compliance Wing of India Shelter shall report to Audit Committee on quarterly intervals a KYC Compliance Report and internal /

external auditors of the Company are tasked with checking the robustness of KYC Policy while carrying out their audits.

India Shelter will proactively provide training to its staff in KYC procedures. Keeping in mind the different requirements of frontline, credit and compliance staff different training shall be imparted.

### **Guidance Note on effective process of STRs detection and reporting**

FIU-IND had constituted a Working Group to formulate a comprehensive 'Guidance Note' for the Housing Finance sector which would provide for identification and reporting mechanism of Suspicious Transaction Report (STR). Accordingly, the Working Group prepared a 'Guidance Note' which was subsequently shared with all HFCs.

India Shelter has taken cognizance of the 'Guidance Note' and shall be taking adequate steps to comply with the guidelines issued in the said note.

### **Customer Education**

The implementation of KYC procedures requires India Shelter to request certain information from customers, which may be of personal nature, or which has hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. India Shelter's front line staff will therefore personally discuss this with customers and if required, India Shelter may also prepare specific literature/ pamphlets, etc. so as to educate the customer on the objectives of the KYC program.

### **Introduction of new technology**

India Shelter will pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favor anonymity, and take measures, if needed, to prevent its use in money laundering schemes. However, at the same time India Shelter will embrace all such technology innovations which will aid in establishment of identification of customer. India Shelter will use e-KYC process introduced by UIDAI to establish the identity of the customer after obtaining his explicit consent to obtain his identity / address details from UIDAI. India Shelter will progressively leverage technology to establish identity of the Customers.

### **Appointment of Designated Director & Principal Officer**

Mr. Anil Mehta, Managing Director of India Shelter has been appointed as “Designated Director” in compliance of Rule 2, 1 (ba) of the Prevention of Money laundering (Maintenance of Records Rules), 2005. He will ensure overall compliance with the obligations imposed under Chapter IV of the Prevention of Money Laundering Act, 2005 and its rules.

Mr. Sunil Jain, CFO has been designated as ‘Principal Officer’. As per the NHB guidelines, the Principal Officer will be located at the 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, other HFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

### **Maintenance of records & transactions**

India Shelter has a system of maintaining proper record of transactions prescribed under Section 12 of PMLA read with Rule 3, of PML Rules, 2005, as mentioned below:

- a) all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- b) all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh 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 lakh;
- c) all transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency
- d) 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;
- e) all suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3 (1) D of PML Rules.

India Shelter has ensured that proper record of all cash transactions of Rs.10 lakh and above is maintained. Its internal monitoring system has an inbuilt procedure

for reporting of such transactions and those of suspicious nature whether made in cash or otherwise.

### **Information to be preserved**

As per the Rule 3 of PMLA Rules, India Shelter shall maintain the following information in respect of transactions:

- the nature of the transactions;
- the amount of the transaction and the currency in which it was denominated;
- the date on which the transaction was conducted; and
- the parties to the transaction.

### **Maintenance & Preservation of records**

India Shelter shall in compliance with Section 12 of PMLA 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 from the date of transactions between the clients and the housing finance company.
- b) records of the identity of all clients of the housing finance company is required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the housing finance company.

### **Reporting to Financial Intelligence Unit - India**

Section 12 of PMLA requires India Shelter to report information of transaction referred to in clause (a) of sub-section (1) of section 12 read with Rule 3 of the PML Rules relating to cash and suspicious transactions etc. to the Director, Financial Intelligence Unit-India (FIU-IND). The said information is to be provided at

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



New Delhi-110021

### **Central Know Your Customer Registry**

The Government of India has authorized the Central Registry of Securitization 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.

HFCs have been advised by National Housing Bank vide Policy Circular 76 dated 01-11-2016 to upload the Know Your Customer (KYC) data with CERSAI in respect of new individual loan accounts opened on or after the date of the extant Policy Circular. HFCs are to 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

Operational Guidelines (version 1.1) for uploading the KYC data has been released by CERSAI which have to be followed diligently by all HFCs.

India Shelter shall initiate uploading of the data in respect of existing individual accounts within FY 2016-17.

Accordingly, India Shelter affirms that such information as is to be reported shall be provided to the relevant authorities as and when they occur in format, manner and within time frame prescribed. India Shelter, further, assures to comply comprehensively with the Code in its letter and spirit.

### Annexure I - KYC Documents to be obtained

	Identity	Residence Address
Voter ID	✓	✓
Passport	✓	✓
Driving License	✓	✓
PAN Card	✓	
Aadhar Card ( Mandatory for all applicants)	✓	✓
Ration Card / BPL Card with photo	✓	✓
Bank passbook with applicant's photograph. If bank passbook is taken for Identity proof, then bank's stamp must be affixed on account holder's photograph	✓	✓
Employee photo ID card from Govt Listed/PSU company	✓	
Photo Credit Card	✓	
Employee State insurance medical card with photograph	✓	
Medical Insurance cards from Public sector insurance companies with photograph. Medical policy should be in force at the time of login of application.	✓	
Armed Forces ID card	✓	
Less than 3 months old Bills for electricity/ phone/ Gas		✓
NREGA Job Card	✓	
Rent agreement, supported by the electricity bill of landlord. Rent agreement should be in force at the time of login of application.		✓

## **Annexure-II - List of Suspicious Transactions Pertaining to House 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 is doubtful etc;
- d) Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- e) Approaches a branch/office of the company, which is away from the customer's residential or business address provided in the loan application, when there is Company branch/office nearer to the given address;
- f) Initial contribution made through unrelated third party accounts without proper justification;
- g) Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- h) Suggesting dubious means for the sanction of loan;
- i) Where transactions do not make economic sense;
- j) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- k) Encashment of loan amount by opening a fictitious bank account;
- l) 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;
- m) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- n) Multiple funding of the same property/dwelling unit;
- o) 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;
- p) Multiple funding / financing involving NGO / Charitable Organization / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs);
- q) Frequent requests for change of address;
- r) Overpayment of installments with a request to refund the overpaid amount