



HINDUJA HOUSING FINANCE

POLICY ON
KNOW YOUR CUSTOMER & ANTI-MONEY LAUNDERING MEASURES
Version 2.0

Version Tracker			
Particulars	Date	Approved by	Version
Policy approved on	18 th July, 2016	Board	Version 1.0
Annual review	9 th November, 2018	Board	Version 1.0
Amended on	20 th May, 2019	Board	Version 2.0
Annual review	4 th November, 2019	Board	Version 2.0

PREFACE

The National Housing Bank (NHB) has issued guidelines on 'Know Your Customer (KYC) – Anti Money Laundering Standard, wherein the Housing Finance Companies (HFCs) are advised to follow certain customer identification procedure and monitoring of suspicious transactions for reporting to the appropriate authority. Further, NHB also advised the HFCs to put in place a proper policy frame work on KYC & AML duly approved by their Board of Directors. These guidelines of NHB advise HFCs to follow certain Customer Identification Procedure and monitoring transactions of a suspicious nature for the purpose of reporting it to the appropriate authority.

This Know Your Customer (KYC) policy of Hinduja Housing Finance Limited has been prepared in accordance with NHB and Anti Money Laundering and Combating Financing of Terrorism Standards. This policy also takes into account the provisions of Prevention of Money laundering.

This Policy only supplements the existing RBI, SEBI, NHB guidelines relating to KYC / AML and any subsequent guidelines would be implemented immediately.

1) KYC / AML philosophy of HHF

- a) The KYC /AML philosophy of HHF is to prevent the Company from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. The objective of this policy is also to enable the Company to know / understand its customers and their financial dealings better which in turn will help the Company to manage its risks prudently.
- b) It is important that the Company's management views "money-laundering prevention" and "knowing your customer" as part of the risk management strategies and not simply as standalone requirements that are being imposed by legislation / regulators.

2) Money Laundering

- a) Money laundering is the criminal practise of putting ill – gotten gains or dirty money through a series of transactions, so that the funds are cleaned to look like proceeds from legal activities. It is driven by criminal activities and conceals the true source, ownership or use of funds.
- b) In simple terms money laundering is most often described as the "turning of dirty or black money into clean or white money". If undertaken successfully, money laundering allows criminals to legitimize "dirty" money by mingling it with "clean" money, ultimately providing a legitimate cover for the source of their income.

3) **Know your Customer**

- a) One of the best methods of preventing and deterring money laundering is a sound knowledge of a customer's business and pattern of financial transactions. The adoption of procedures by which Company "know their customer" is not only a principle of good business but is also an essential tool to avoid involvement in money laundering.
- b) The Company shall adopt appropriate KYC procedures and internal controls measures to:
 - i) Determine and document the true identity of the customers who establish relationships, open accounts or conduct significant business transactions and obtain basic background information on customers.
 - ii) Assess the money laundering risk posed by customers' expected use of Company's products and services
 - iii) Protect the Company from the risks of doing business with any individual or entity whose identity cannot be determined or who refuses to provide information, or who have provided information that contains significant inconsistencies which cannot be resolved after due investigation.

4) **Customer Identification Procedure & Acceptance Policy:**

- a) Customer identification procedure means verifying the identity of the customer by using reliable, independent source documents, data or information. The Company needs to 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 company relationship. The company must be able to satisfy the regulators that due diligence was observed based on the risk profile of the customer in compliance with the extant guidelines in place.
- b) The Company shall have in place a comprehensive Customer Identification Procedure which details the various documents that the Company can take as Identity, Address and Signature proof for various types of customers.

Customer Acceptance Policy:

It lays down the criteria for acceptance of customers. The guidelines in respect of the customer relationship are as follows:

- i) No account is to be opened in anonymous or fictitious/benami name(s)/entity (ies)



- ii) Accept customers only after verifying their identity, as laid down in Customer Identification Procedures.
- iii) Classify customers into various risk categories and, based on risk perception, apply the acceptance criteria for each category of customers. Also, a profile of each customer will be prepared based on risk categorization
- iv) Documentation requirements and other information to be collected, as per PMLA and RBI guidelines/instructions, to be complied with
- v) Not to open an account or close an existing account (except as provided in this Policy), where identity of the account holder cannot be verified and/or documents/information required could not be obtained/confirmed due to non-cooperation of the customer
- vi) Identity of a new customer to be checked so as to ensure that it does not match with any person with known criminal background or banned entities such as individual terrorists or terrorist organizations available from circulars etc.
- vii) The decision to open an account for Politically Exposed Person (PEP) should be taken at a senior level. It may, however, be necessary to have suitable built in safeguards to avoid harassment of the customer. For example, decision to close an account may be taken at a reasonably high-level 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, should be strictly followed.
- ix) No account is opened where the HFC is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or nonreliability of the documents/information furnished by the customer.

Risk Categorization of Customers

The Company shall put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures in case of higher risk perception on a customer. Such review of risk categorization of customers will be carried out at a periodicity of not less than once in six months.

The Company shall have a system in place for periodical updation of customer identification data after the account is opened. Full KYC exercise will be done at a periodicity not less than once in ten years in case of low risk category customers, not less than once in eight years in case of medium risk category customers and not less than once in two years in case of high-risk category customers.

Low Risk Category

Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, shall be categorised as low risk.

Illustrative examples are:

1. Salaried employees whose salary structure is well-defined
2. People belonging to lower economic strata of the society whose accounts show small balances and low turnover
3. Government departments and Government-owned companies
4. Statutory bodies & Regulators
5. Self – employed individuals / Proprietary Firms / Hindu Undivided Families (HUFs)
6. Limited Companies (Public and Private)
7. Partnership Firm with registered deed.

Medium & High-Risk Category

Customers that are likely to pose a higher than average risk may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile etc.

Illustrative examples of medium risk category customers are:

1. Non-Resident customers
2. Trust, charities, NGO's and Organization receiving donations

Illustrative examples of high-risk category customers are:

1. Politically Exposed Persons (PEPs) of Indian/Foreign Origin
2. Those with dubious reputation as per public information available

5) Risk Management

- a) The company has put in place an effective KYC programme in place by establishing appropriate procedures and ensuring their effective implementation covering proper management oversight, systems and controls, segregation of duties, training and other related matters.



- b) Responsibility has also been explicitly allocated within the company for ensuring that the company's policies and procedures are implemented effectively. The nature and extent of due diligence will depend on the risk perceived by the branch/company. However, while preparing customer profile branches should take care to seek only such information from the customer which is relevant to the risk category and is not intrusive.
- c) The company's internal audit has an important role in evaluating and ensuring adherence to the KYC policies and procedures. It should provide an independent evaluation of the company's own policies and procedures, including legal and regulatory requirements. It would be ensured that the audit machinery is staffed adequately with individuals who are well versed in such policies and procedures. Head – Credit is the principal officer for monitoring Anti Money Laundering Issues. A dedicated credit quality team under the direct supervision of Head - Credit checks and confirms compliance with the KYC policies and procedures in respect of all the loan contracts.

6) Maintenance of records of transactions / Information to be preserved / Maintenance and preservation of records / Cash and Suspicious transactions

- a) Maintenance of records of transactions
- b) All cash transactions of the value of more than Rupees Ten Lakh or its equivalent in foreign currency
- c) All series of cash transactions integrally connected to each other which have been individually valued where such series of transactions have taken place within a month and the monthly aggregate value of such transactions exceeds Rupees Ten Lakh or its equivalent in foreign currency
- d) All transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency
- e) 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 transaction
- f) All suspicious transactions whether or not made in cash and by way of any of the modes as mentioned in the rules
- g) All cross-border wire transfer of the value of more than five lakhs rupees or its equivalent in foreign currency where either the origin or destination of fund is in India.



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| h) Reporting by | Reporting to |
| 1. Branch | 1. Controlling office (Regional/Head Office) |
| 2. Controlling office | 2. Principal Officer (PO). H.O. |
| 3 .PO/. H.O | 3.FIU - IND |

All cash transactions, where forged or counterfeit Indian currency notes have been used, shall also be reported immediately by the branches, by way of Counterfeit Currency Reports (CCRs) to the Principal Officer, through proper channel, for onward reporting to FIU-IND.

i) Maintenance and Preservation of records

- i) The Company shall maintain the records of all transactions including the records containing information in respect of transactions. The Company shall take appropriate steps to evolve a system for proper maintenance and preservation of account information and allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities. Further, the Company shall maintain for at least five years from the date of transaction between the company and the client, all necessary records of transactions, both domestic / international, which will permit reconstruction of individual transactions so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.
- ii) The company shall ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN card, utility bills etc.) obtained are properly preserved for at least five years after the business relationship is ended.

7) Counterfeit Currency Reports (CCR)

All cash transactions, where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of document has taken place facilitating the transactions should be reported.

8) Suspicious transaction reports (STR)

- a) The suspicious transaction report shall be furnished within 14 days of arriving at a conclusion that any transaction, whether cash or non-cash, or a series of transactions integrally connected are of suspicious nature.
- b) While determining suspicious transactions, the Company shall be guided by definition of suspicious transaction contained in the rules as amended from time to time.

**9) Confidentiality of customer data**

The Company shall treat the information collected from the customer for availing Loans as confidential and shall not divulge any details for cross selling or any other like purposes.

Company shall ensure that information sought from the customer is relevant to the perceived risk and is not intrusive.

10) Original to be Seen and Verified:

All original KYC documents to be seen and verified by employees of HHF, HSL, Approved DSA and employees of channel partners.

11) Ongoing Due Diligence

Ongoing monitoring is an essential element of effective KYC procedures. Hence, we can effectively control and reduce their risk basis understanding of the normal and reasonable activity of the customer when they fall outside the regular pattern of activity.

A periodic visit to customer place by the Cluster manager shall be done and a brief update shall be submitted which forms part of de risking exercise.

12) Periodic KYC Updation

Periodic KYC updation shall be carried out at least once in every two years for high risk customers, once in every eight years for medium risk customers and once in every ten years for low risk customers.

We 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 categorised as 'low risk'. In case of low risk customers when there is no change in their identities and addresses, a self-certification to that effect shall be obtained



13) Designated Director:

The Board at its meeting held on 18th July, 2018 had nominated Mr. Sachin Pillai, Managing Director of the Company as the designated director to ensure overall compliance with the obligations imposed under Chapter IV of the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.

14) Principal Officer:

Mr. Mr. S Nagarajan

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ANNEXURE 1

Customer identification means identifying the customer and verifying his / her identity by using reliable, independent source documents, data or information. Following documents shall be verified with supporting documents obtained from the customer (broadly KYC documents)

S.No	Selection Criteria	Parameters
1.	List of Documents	<ul style="list-style-type: none"> ○ Identification Proof: - ○ Aadhaar Card ○ Valid Passport (Mandatory for NRI) ○ PAN Card ○ Photo Driving License ○ Photo Credit Card of a Scheduled Commercial Bank/ ○ Photo ID Card of Professional Councils, Government/PSU ○ Banker's Verification ○ Photo Ration Card ○ Photo Election ID Card. E) Signature Proof: ○ Valid Passport ○ PAN Card ○ Photo Driving License ○ Bankers verification ○ Thumb Impression with independent witness F) Proof of Residential Address ○ Aadhaar Card ○ Passport ○ Voter's ID Card ○ Driving License ○ Ration Card ○ Telephone Bill ○ Gas Bill (Only HP or Indane) ○ Power/Electricity Bill ○ Registered Rental Agreement ○ Insurance Premium Receipt. ○ Bank statement of 1 month



		<ul style="list-style-type: none"> ○ Registered Sale deed <p>G) Proof of Date of Birth</p> <ul style="list-style-type: none"> ○ Birth Certificate ○ Passport ○ PAN Card ○ Driving License ○ School leaving certificate ○ Insurance policy schedule.
2	<u>Others:</u>	<p><u>Company:</u></p> <p>Certification of incorporation MOA/AOA Resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf</p> <p><u>Partnership Firms:</u></p> <p>Registration certificate Partnership deed An officially valid document in respect of the person holding an attorney to transact on its behalf.</p> <p><u>For proprietary concerns, the company should call for and verify any two of the following documents:</u></p> <p>Proof of the name, address and activity of the concern, like registration certificate (in the case of a registered concern), certificate/licence issued by the Municipal authorities under Shop & Establishment Act, sales and income tax returns, CST / VAT certificate, certificate / registration document issued by Sales Tax / Service Tax / Professional Tax authorities, Licence issued by the Registering authority like Certificate of Practice issued by Institute of Chartered Accountants of India, Institute of</p>



HINDUJA

Hinduja Housing Finance Limited

KYC & AML Policy

Version 2.0

Nov 2019

		<p>Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food and Drug Control Authorities, etc.</p> <p>○</p>
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