Know Your Customer

&

Anti-Money Laundering Measures

(Revised)

PROSPER HOUSING FINANCE LIMITED (PHFL)

[Formerly: HBN Housing Finance Limited]

{REGISTERED WITH NATIONAL HOUSING BANK (NHB)}

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Policy on Know Your Customer and Anti-Money Laundering Measures

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1. Introduction

With reference to the guidelines regarding "**Know Your Customer**" norms issued by the National Housing Bank(NHB) IN TERMS OF ITS CIRCULAR No.(1) NHB(ND)/DRS/POL NO-02/2004-05 dated August 25, 2004(2) NHB(ND)/DRS/POL NO-05/2004-05 dated March 31,2005(4)NHB(ND)/DRS/POL-NO-32/2009-10 dated March 16, 2010 NHB/ND/DRS/POL-NO-33/2010-11 dated October 11,2010 and NHB(ND)/DRS/Pol Circular No.60/2013-14 dated February 06,2014 and NHB(ND)/DRS/Policy Circular No.72/2014-15 wherein Housing Finance Companies(HFCs) were advised to follow certain customer identification procedure for opening of accounts and monitoring transactions of suspicious nature for the purpose of reporting it to appropriate authority. PHFL has revised its KYC/AML policy.

2. Background:

The recommendation made by Financial Action Task Force(FATF) on Anti Money Laundering(AML) standards and on Combating Financing of Terrorism(CFT) standards have become the international benchmark for framing Anti Money Laundering and Combat Financing of Terrorism policies by the regulatory authorities. Compliance with these standards both by Banks/Financial Institutions, including HFCs has become necessary for international financial relationships. The reserve Bank of India(RBI) has issued revised set of comprehensive "Know Your Customer" guidelines to all Non-Banking Financial Companies(NBFCs), Miscellaneous Non-Banking Companies and Residuary Non-Banking companies in the context of recommendations made by the Financial Action task and Anti Money Laundering Measures(AML) standards and Combat Financing of Terrorism policies by the regulatory authorities and advise all NBFCs to adopt the same with suitable modification depending on the activity undertaken by them and ensure that a proper policy framework on KYC and AML measures are formulated and put in place with the approval of their respective Boards. The "Know Your Customer" guidelines issued by the National Housing Bank for HFCs have been drafted and issued in the above context.

3. 'Know Your Customer' Guidelines

The objective of 'Know Your Customer (KYC) Guidelines' is to prevent housing finance companies (HFCs) from being used, intentionally or unintentionally, by criminal elements for money laundering activities. KYC procedures also enable HFCs to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently. HFCs should frame their KYC policies incorporating the following four key elements:

I. **Customer Acceptance Policy;**
II. **Customer Identification Procedures;**
III. **Monitoring of Transactions;**
IV. **Risk Management**.

For the purpose of KYC policy, a 'Customer' may be defined as:

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

4. Customer Acceptance Policy

PHFL's Customer Acceptance Policy which lays down explicit criteria for acceptance of customers. The Customer Acceptance Policy must ensure that explicit guidelines are in place on the following aspects of customer relationship in the HFC:-

(i) No account shall be opened in anonymous or fictitious/benami name(s);

(ii) 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 (PEPs – as explained in Annex I) may, if considered necessary, be categorized even higher;

(iii) Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 (Central Act No. 15 of 2003) (hereinafter referred to as PMLA), rules framed there under and guidelines issued from time to time.

(iv) Not to open an account or close an existing account where the HFC is unable to apply appropriate customer due diligence measures, i.e. HFC 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 HFC. 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

(v) Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity; and

(vi) Necessary checks before opening a new account so as 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, etc.

PHFL will prepare a profile for each new customer based on risk categorization. The customer profile may contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the PHFL. However, while preparing customer profile the PHFL will take care to seek only such information from the customer which is relevant to the risk category and is not intrusive, and is in conformity with the guidelines issued in this regard. Any other information from the customer should be sought separately with his/her consent and after opening the account. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.

For the purpose of risk categorization, 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, may be categorized as low risk. Illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government departments & Government owned companies, regulators and statutory bodies, etc. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met.

Customers those are likely to pose a higher than average risk to the PHFL will 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. PHFL will apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear. 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.

As regards the accounts of PEPs it is advised that in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, PHFL will obtain senior management approval in such cases to continue the business relationship with such person, and also undertake enhanced monitoring as specified in Annexure – I .

5. KYC Leaflet

KYC leaflet are given to customers to aware about the KYC guidelines which is enclosed with the policy.

It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation should not become too restrictive and must not result in denial of PHFL's services to general public, especially to those, who are financially or socially disadvantaged.

6. Customer Identification Procedure

PHFL will follow NHB guidelines on the Customer Identification Procedures to be carried out at different stages i.e. while establishing a relationship, carrying out a financial transaction or when PHFL has a doubt about authenticity/veracity or the adequacy of the previously obtained customer identification data. Customer identification means identifying the customers and verifying his/her identity by using reliable, independent source documents, data or information.PHFL will obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being satisfied means that PHFL must be able to satisfy the competent authorities that due diligence was observed based on the risk profile of the customers in compliance with the extent guidelines in place. Beside risk perception, the nature of information/documents required would also depend on the type of customers (Individuals, Corporate). For customers that are natural persons, which will be most of its clients, PHFL will obtain sufficient identification of data to verify the identity of customer, his address/location, and also his recent photograph. For customers that are legal persons or entities (very unlikely to be a customer except for project finance to construction companies, PHFL will:

i. Verify the legal status of the legal person/entity through proper and relevant documents.
ii. Verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person.
iii. Understand the ownership and control structure of the customer of the customer and determine who are the natural persons who ultimately control the legal person.

Where PHFL is unable to apply appropriate KYC measures due to non-furnishing of information and or /Non-cooperation by the customer, PHFL 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.

7. Recognising E-Aadhaar as an Officially Valid Documents under PML Rules:

- Under prevention of Money Laundering Act, 2002, PHFL would consider the letter issued by the Unique Identification Authority of India containing the details of the Name., Address and Adhaar Number as an officially valid document under Rule2(1)(d) of the PMLA Rules, 2005.

- If address provided by the customer is the same on document submitted for identity proof, the PHFL shall consider document as proof of both identity and address.

- If current address mentioned by customer is different from the address indicated on the document submitted for proof of identity, PHFL shall obtain separate proof of identity.

8. Verification of Customer under Rule 9 of the PMLA (Maintenance of Records), 2005

PHFL would verify the customer under verify the records of the identity of the clients mentioned under Rule 9 of prevention of Money Laundering (Maintenance of Records) Rules, 2005.

PHFL shall

- At the time of commencement of an account based relationship, identify its client, verify their identity and obtain information on the purpose and intended nature of business relationship.

In other cases, PHFL shall verify identity while carrying out

- Transaction of an amount equal to or exceeding Rs fifty Thousand, whether conducted as a single transaction or several transactions that appear to be connected.
- Any international money transfer operations.
- PHFL shall determine shall determine whether a clients is acting on behalf of beneficial owner, identify the beneficial owner and take all reasonable steps to verify his/her identity.
- PHFL shall exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that they are consistent with their knowledge of the client, his/her business risk profile and where necessary, the source of funds.
- PHFL shall not open or keep any anonymous account or account in fictitious names or account on behalf of other persons whose identity have not been disclosed or cannot be verified.
- In case, when there are suspicious of money laundering or financing of the activities relating to terrorism or where there are doubts about the adequacy pr veracity of previously obtained customer identification data, than PHFL shall review due diligence measures including verifying again.

- Where the client is an individual, PHFL shall take one certified copy of an “officially valid document” containing the details of customer identity and address
- One recent photograph and such other documents including in respect of the nature of business and financial status of the customer as may be required by PHFL.

9. Monitoring of Transactions:

Ongoing monitoring is an essential element of effective KYC procedures. PHFL can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity. However, the extent of monitoring will depend on the risk sensitivity of the account. PHFL will in any case pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. The PHFL will prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly attract the attention of the HFC. Very high account turnover inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through the account. High-risk accounts have to be subjected to intensify monitoring. Every PHFL will set key indicators for such accounts, taking note of the background of the customer, such as the country of origin, sources of funds, the type of transactions involved and other risk factors. PHFL will put in place a system of periodical review of risk categorization of accounts and the need for applying enhanced due diligence measures. PHFL 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(and the amended Act, 2009). It will also ensure the 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.

10. Risk Management

The Board of Directors of the PHFL will ensure that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It should cover proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibilities will be explicitly allocated within the PHFL for ensuring that the housing finance companies’ policies and procedures are implemented effectively. PHFL will, in consultation with their Boards, devise procedures for creating Risk Profiles of their existing and new customers and apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

PHFL’s Board through its Audit Committee will directly evaluate and ensuring adherence to the KYC policies and procedures including legal and regulatory requirements.

PHFL has already ensured that its front line staff and credit staff are aware that no loan accounts will be created unless the KYC procedures are adhered to completely.

11. Customer Education:

Implementation of KYC procedures requires PHFL to demand certain information from customers which may be of personal nature or which have 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. There is, therefore, PHFL would prepare specific literature/ pamphlets, etc. so as to educate the customer about the objectives of the KYC programme. The front desk staff would be specially trained to handle such situations while dealing with customers.

12. Introduction of New Technologies:

PHFL will pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

13. Appointment of Principal Officer

PHFL would appoint a senior management officer, preferably of the level of General Manager or immediately below the level of CMD/ED of the HFC (depending on the internal organisational structure of the housing finance company) be designated as 'Principal Officer'. The name of the Principal Officer so designated, his designation and address including changes from time to time, may please be advised to the Director, FIU-IND and also to NHB. Principal Officer shall be located at the head/corporate office of the PHFL and shall 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, HFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

14. Maintenance of records of transactions

PHFL will introduce a system of maintaining proper record of transactions as required under section 12 of the PMLA read with Rule 3 of the PML Rules, as mentioned below:

- All cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- 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;
- All transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency;
- All cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security or a document has taken place facilitating the transactions; and

- All suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3(1) (D).

15. Records to contain the specified information:

Records referred to above in Rule 3 of the PMLA Rules, PHFL is required to maintain the following information:-

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

16. Maintenance and Preservation of records:

Section 12 of PMLA requires PHFL will 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.

PHFL will take appropriate steps to evolve a system for proper maintenance and preservation of 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.

17. Reporting to Financial Intelligence Unit-India:

As per the Section 12 of PMLA, PHFL will 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 proviso to the said section also provides that where the principal officer of a HFC has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value to so to defeat the provisions of this section, such officer shall furnish information in respect of such transactions to the Director within the prescribed time.

The information to be furnished at the following address by the Principal Officer of the HFC:

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

A copy of information furnished shall be retained by the Principal Officer for the purposes of official record.

- The information in respect of the transactions referred to in clause(A), (B) and (BA) of sub-rule (1) of rule 3 of the PML Rules (i.e. clauses (i) , (ii) and (iii) referred to in Paragraph 19 supra) is to be submitted to the Director every month by the 15th day of the succeeding month.

- The information in respect of the transactions referred to in clause(C) of sub-rule (1) of rule 3 of the PML Rules (i.e. clause (iv) in Paragraph 19 supra) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

- The information in respect of the transactions referred to in clause(D) of sub-rule (1) of rule 3 of the PML Rules (i.e. clause(v) in Paragraph 19 supra) is to be furnished promptly to the Director in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.
- Provided the PHFL and its employees will maintain strict confidentiality of the fact of furnishing/ reporting details of suspicious transactions.

It has been advised by the FIU-IND, New Delhi that HFCs need not submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period. HFCs are advised to take note and act accordingly.

The formats for reporting the requisite information in respect of cash transactions and suspicious transactions are enclosed (Annexure 3 to 10). An illustrative (but not exhaustive) list of suspicious transactions in housing/ builder/project loans is furnished in Annexure 11 for information of the HFCs.

The required information will be furnished by the PHFL **directly** to the FIU-IND, through the Principal Officer designated by the housing finance company under the Prevention of Money Laundering Act, 2002.

18. General

- PHFL would ensure that the provisions of PML Rules framed there under and the Foreign Contribution and Regulation Act, 1976 (wherever applicable) are strictly adhered.

- In a situation where in the KYC measures cannot be applied satisfactorily due to non-furnishing of information and/or non-cooperation by the customer, PHFL shall review and consult the status with its senior management including the Principal Officer(s) and may even consider closing of the account or termination of business relationship after issuing due notice to the customer explaining the reasons for the step.

- PHFL would assure to comply comprehensively and fully comply with the Code in its letter and spirit.

19. Applicability to branches and subsidiaries outside India

The above guidelines shall also apply to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the FATF Recommendations, to the extent local laws permit. When local applicable laws and regulations prohibit implementation of these guidelines, the same should be brought to the notice of National Housing Bank and RBI.

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

The Company shall also ensure that provisions of the Foreign Contribution (Regulation) Act (FCRA), 1976 are duly adhered to. FCRA regulate 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

Annexure-I

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. HFCs should determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, HFCs 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, HFCs should take reasonable precautions to verify the identity of the trustees and the settlers 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 HFC decides to accept such accounts in terms of the Customer Acceptance Policy, the HFC 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. HFCs need to be vigilant against business entities being used by individuals as a ‘front’ for maintaining accounts with HFCs. HFC should verify the legal status of the legal person/ entity through proper and relevant documents. HFC should 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. HFCs should 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 HFC 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. HFCs may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where the HFCs rely on the 'customer due diligence' (CDD) done by an intermediary, they should satisfy themselves 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 lies with the HFC.

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 country, 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. HFCs should 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. HFCs should 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. HFCs should 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 HFC 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.

Annexure-II

CUSTOMER IDENTIFICATION PROCEDURE

FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

Features	Documents (Certified copy)
Individuals - Legal name and any other names used	1. Passport 2. PAN card 3. Voter's Identity Card 4. Driving license 5. Identity card (subject to the HFC's satisfaction) 6. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of HFC. 7. Aadhaar Letter issued by Unique Identification Authority of India 8. E-Aadhaar as per Section 7 of KYC/AML Guidelines adopted by PHFL
- Correct permanent address	1. Telephone bill 2. Bank Account statement 3. Letter from any recognized public authority 4. Electricity bill 5. Ration card 6. Letter from employer (subject to satisfaction of the HFC) 7. (any one document which provides customer information to the satisfaction of the HFC will suffice) 8. Aadhaar Card issued by Unique Identification Authority of India(Subject to address provided by the customer is the same as on Adhaar Card and positive residence verification of the provided address) 9. E-Aadhaar as per Section 7 of KYC/AML Guidelines adopted by PHFL

	One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules.
Companies - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number	1. Certificate of incorporation 2. Memorandum & Articles of Association 3. Resolution from the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact business on its behalf 4. An officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf. 5. Telephone Bill.
Partnership Firms - Legal name - Address - Names of all partners and their addresses - Telephone numbers of the firm and partners	1. Registration certificate, if registered 2. Partnership deed 3. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf 4. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses. 5. Telephone Bill in the name of firm/partners.
Trusts & Foundations - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries - Telephone/fax numbers	1. Certificate of registration, if registered 2. trust deed 3. Power of Attorney granted to transact business on its behalf 4. Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses 5. Resolution of the managing body of the foundation/association. 6. Telephone Bill.
Unincorporated association or a body of individuals	1. Resolution of the managing body of such association or body of individuals 2. Power of attorney granted to him to

	transact on its behalf 3. An officially valid document in respect of the person holding an attorney to transact on its behalf 4. And such other information as may be required by HFC to collectively establish the legal existence of such as association or body of individuals.

***'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 Letter issued by Unique Identification Authority of India or any other document as may be required by the PHFL.

List of Annexures 3-10

MANUAL REPORTING FORMATS

MCTR (Manual Cash Transaction Report) for HFCs- Annex-3

1. MCTR(IDS)-Annexure-A (Manual Cash Transaction Report- Individual detail sheet for HFCs)- Annex-4
2. MCTR(LP/Entity-Details)-Annexure-B (Manual Cash Transaction Report- Legal Person/Entity detail sheet for HFCs)- Annex-5
3. MCTR(S) Summary of Manual Cash Transaction Reports for HFCs- Annex-6
4. MSTR (Manual Suspicious Transactions Report) for HFCs- Annex-7
5. MSTR(IDS)-Annex-A (Manual Suspicious Transactions Report- Individual detail sheet)-Annex-8
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7. MSTR(ADS)-Annexure-C (Manual Suspicious Transaction Report-Account Details Sheet)-Annex-10
8. Illustrative (but not exhaustive) list of suspicious transactions in housing/builder/project loans

II. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO BUILDER/ PROJECT LOANS:

a. Builder approaching the HFC for a small loan compared to the total cost of the project;

b. Builder is unable to explain the sources of funding for the project;

c. Approvals/sanctions from various authorities are proved to be fake;

Annex-11

I. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING 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 a 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;

f. Unable to explain or satisfy the numerous transfers in the statement of account/ multiple accounts;

g. Initial contribution made through unrelated third party accounts without proper justification;

h. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;

i. Suggesting dubious means for the sanction of loan;

j. Where transactions do not make economic sense;

k. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;

l. Encashment of loan amount by opening a fictitious bank account;

m. 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;

n. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;

o. Multiple funding of the same property/dwelling unit;

p. Request for payment made in favour of a third party who has no relation to the transaction;

q. 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.

r. Multiple funding / financing involving NGO / Charitable Organisation / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)

s. Frequent requests for change of address;

t. Overpayment of instalments with a request to refund the overpaid amount

KYC Leaflet

1. Why KYC norms are required?

In terms of guidelines issued by RBI and Prevention of Money laundering Act-2002(PMLA), & NHB guidelines HFCs are required to follow the Know your customer (KYC) norms. Its main objective is to prevent from criminal elements from using Housing Finance Companies (HFCs) for money laundering activities and or financing of terrorism related activities. A part from checking money laundering, KYC is an important tool for checking frauds that sometimes unscrupulous and criminal elements try to perpetrate both on HFCs and unsuspecting members of public. In order to prevent such activities, it has become necessary to know about the true identity of the customer, nature of customer's business, source of funds. It assists the HFCs to know/understand the customers and their financial dealings better to monitor their transactions for identification and prevention of suspicious transactions.

2. What are the objectives of KYC guidelines?

a) To prevent HFCs from being used by, unscrupulous or criminal elements for their criminal activities including money laundering.
b) To minimize frauds and risks and protect HFC's reputation.
c) To avoid opening of accounts with fictitious names and address.
d) To weed out bad customers and protect the good one.

3. Why do HFCs ask for documentary proof for identity and address for opening account?

The PMLA & RBI guidelines require HFCs to establish the identity of the customer on the basis of documentary proof at the time of entering into any business relationship. By submitting the required information, you actually not only help the HFCs in discharging its statutory/regulatory obligation but also safe guard your own interest.

4. What is expected from customers?

- Provide valid proof of identification along with proof of address.
- Provide reference of an introducer
- Provide other relevant information as warranted under KYC/AML.
- Provide account specific information as & when required.
- Provide periodical mandatory information about him/account.

5. Why other Information?

Information related to customer's occupation, professions, net worth, annual income, and turn over, source of income, expected amount of single transactions etc is required while opening an account. Such mandatory information is necessary for maintaining risk profile of a customer and needs to be obtained periodically. As per prevention of Money laundering Act, 2002. It is necessary to monitor transactions in customer accounts. By providing information to the HFCs at the time of account opening and subsequently, as and when required customer is assisting the HFCs efforts in prevention of Money Laundering/Terrorist financing. However, no commercial usage of this information is intended.

6. Is this information kept confidential?

Yes, the customer profile/information collected by PHFL at the time of account opening or otherwise, is kept confidential and is not disclosed to any person except when required under the provisions of applicable laws and regulations.

7. What are the valid documents for ID proof and the address proof?

Prospective customers can give self attested copy of the documents as per the list. The originals of these documents are, however, required to be shown to PHFL's officials for verification

- Passport
- Voter ID card
- Electricity Bill
- Driving License
- PAN Card
- Aadhar Card
- 2 Photographs
- Any other Valid proof
- Letter issued by Unique Identification Authority of India containing the details of name, address and Aadhaar Number is an officially valid document within the meaning of Rule 2(1)(d) of the Prevention of Money Laundering Act(Maintenance of Records) Rules, 2005.