

ANNEXURE - 1

CUSTOMER IDENTIFICATION REQUIREMENTS INDICATIVE GUIDELINES

1. Trust/Nominee or Fiduciary Accounts:

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Branches should determine whether the customer is acting on behalf another person as trustee/nominee or any other intermediary. If so, the Branch 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 trust, the branches 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.

2. Accounts of Companies and firms

The branches need to be vigilant against business entities being used by individuals as a 'front' for maintaining accounts with the branches. The branches 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 perceptions, e.g. in the case of a public company it will not be necessary to identify all the shareholders.

3. Client accounts opened by professional intermediaries:

When the Branch has knowledge or reason to believe that the client account opened by a professional intermediary is on behalf of a single client, that client must be identified. The Branches may hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds. Where the branches rely on the 'customer due diligence' 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 branch.

4. Accounts of Politically Exposed Persons (PEPs) resident outside India

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. Branches 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 and seek information about the sources of funds before accepting PEP as a

customer. The decision to open an account for PEP should be taken at a senior level above the category of the concerned branch manager. Branches should monitor such accounts on an ongoing basis. These norms are also applicable to the accounts of the family members or close relatives of PEPs.

5. Accounts of non-face-to-face customers:

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 branch 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 - 2

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

Features	Documents
<p><u>Individuals</u></p> <ul style="list-style-type: none"> - Legal name and any other names used - Correct permanent address 	<ol style="list-style-type: none"> 1. Passport 2. Pan Card 3. Voter's Identity card 4. Driving License 5. Identity card (subject to the satisfaction of the branch) 6. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the branch <ol style="list-style-type: none"> 1. Telephone Bill 2. Account statement 3. Letter from any recognized public authority 4. Electricity Bill 5. Ration card 6. Letter from employer (subject to satisfaction of the Branch) 7. Any one document which provides Customer information to the satisfaction of the branch
<p><u>Companies</u></p> <ul style="list-style-type: none"> - Name of the Company - Principal place of business - Mailing address of the Company - Telephones/Fax number 	<ol style="list-style-type: none"> 1. Certificate of Incorporation and Memorandum and Articles of Association 2. Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account 3. Power of Attorney granted to its managers, officers or employees to transact the business on its behalf 4. Copy of PAN allotment letter 5. Copy of the telephone bill

<p><u>Partnership Firm</u></p> <ul style="list-style-type: none"> - Legal Name - Address - Name of all partners and their addresses - Telephone numbers of the firm and partners 	<ol style="list-style-type: none"> 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 and/partners
<p><u>Trusts & Foundations</u></p> <ul style="list-style-type: none"> - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries 	<ol style="list-style-type: none"> 1. Certificate of registration, if registered 2. Power of Attorney granted to transact business on its behalf 3. Any officially valid document to identify trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their addresses 4. Resolution of the managing body of the foundation/association 5. Telephone Bill
<p><u>Unincorporated association or a body of individuals</u></p>	<ol style="list-style-type: none"> 1. Resolution of the managing body of such association, 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. any such other information as branch may require collectively to establish the legal existence of such association or body of individuals.

Manual Reporting Formats (Annexure 3 to 10)

1. Manual cash transaction report – Annexure -3
2. Manual Cash transaction report- Individual detail sheet – Annexure -4
3. Manual Cash transaction report – Legal person/entity detail sheet – Annexure-5
4. MCTR(S) Summary of Manual Cash Transaction Reports for HFCs – Annexure-6
5. MSTR (Manual Suspicious Transactions Report) for HFCs – Annexure-7
6. MSTR(IDS) – Annexure-A (Manual Suspicious Transactions Report – Individual detail sheet) – Annexure-8
7. MSTR (LP/Entity-Details) – Annexure-B (Manual Suspicious Transaction Report – Legal persons/Entity) Annexure-9
8. MSTR(ADS) – Annexure-C (Manual Suspicious Transaction Report – Account Details Sheet) – Annexure-10
9. 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 proved to be fake.

Annexure-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.