

POLICY ON

CUSTOMER ACCEPTANCE,

'KNOW YOUR CUSTOMER'

&

'ANTI-MONEY LAUNDERING MEASURES'



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**CUSTOMER ACCEPTANCE
'KNOW YOUR CUSTOMER' &
'ANTI-MONEY LAUNDERING MEASURES'**

CHAPTER –I OBJECTIVE

In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, Cent Bank Home Finance is required to follow defined customer identification procedures while undertaking a transaction either by establishing an account based relationship or otherwise and monitor its transactions. In order to address the compliance as mandated by provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, CBHFL has introduced this Policy.

1. Short Title and Commencement:

- 1.1 This Policy shall be called the Policy on Customer Acceptance 'Know Your Customer' & 'Anti-Money Laundering Measures'.
- 1.2. This Policy shall come into effect on the day it is approved by the Board of Directors of the Company

2. Definitions:

- 2.1. In these Guidelines, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them as shown below:-
 - 2.1.1. "Aadhaar number" means an identification number as defined under sub section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act';
 - 2.1.2. "Act" and "Rules" means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto;
 - 2.1.3. "Authentication" means the process as defined under sub-section (c) of section 2 of the Aadhaar Act;
 - 2.1.4. Beneficial Owner (BO):
 - (a) Where the customer 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/ have a controlling ownership interest or who exercise control through other means.



Explanation- For the purpose of this sub-clause:-

- (i) *“Controlling ownership interest” means ownership of or entitlement to more than 25 per cent of the shares or capital or profits of the company.*
- (ii) *“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.*
- (b) Where the customer 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/have ownership of or entitlement to more than 15 per cent of capital or profits of the partnership.
- (c) Where the customer 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/have ownership of/ entitlement to more than 15 per cent of the property or capital or profits of the unincorporated association or body of individuals.

Explanation- Term ‘body of individuals’ includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.

- (d) Where the customer is a trust, the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries with 15% or more interest in the trust and all other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

- 2.1.5. “Cash Transactions” means “Cash Transactions” as defined under rule 3 of the Rules.
- 2.1.6. “Central KYC Records Registry” (CKYCR) means an entity defined under Rule 2(1)(aa) of the Rules, to receive, store, safe guard and retrieve the KYC records in digital form of a customer.
- 2.1.7. “Customer” means a ‘person’, as defined below under Para 2.1.17, who is engaged in a financial transaction or activity with CBHFL and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- 2.1.8. “Customer Due Diligence” (CDD) means “Client Due Diligence” as defined under rule 9 of the Rules and the amendments thereto.
- 2.1.9. “Customer Identification” means undertaking the process of CDD.



- 2.1.10. "Designated Director" means a "Designated Director" as defined under rule 2(ba) of the Rules.
- 2.1.11. "FATCA" means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- 2.1.12. "KYC Templates" means templates prepared to facilitate collating and reporting the KYC data to the CKYCR for individuals and legal entities.
- 2.1.13. "Non-face-to-face customers" means customers who open accounts without visiting the branch/offices of the CBHFL or meeting the officials of CBHFL.
- 2.1.14. "Officially Valid Document" (OVD) means OVD as defined under rule 2(l)(d) of the Rules and the amendments thereto.
- 2.1.15. "On-going Due Diligence" means regular monitoring of transactions in accounts to ensure that they are consistent with the customers' profile and source of funds.
- 2.1.16. "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.
- 2.1.17. "Person" has the same meaning as defined in the Act and includes:
- (a) an individual,
 - (b) a Hindu undivided family,
 - (c) a company,
 - (d) a firm,
 - (e) an association of persons or a body of individuals, whether incorporated or not,
 - (f) every artificial juridical person, not falling within anyone of the above Persons (a to e), and
 - (g) any agency, office or branch owned or controlled by any of the above persons (a to f) an association of persons or a body of individuals, whether incorporated or not.
- 2.1.18. "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.
- 2.1.19. "Principal Officer" means "Principal Officer" as defined under rule 2(f) the Rules



2.1.20. "Suspicious Transaction" means "Suspicious Transaction" as defined under rule 2(g) of the Rules

2.1.21. "Transaction" means "Transaction" as defined under rule 2(h) of the Rules.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Prevention of Money Laundering Act and Prevention of Money Laundering (Maintenance of Records) Rules, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

3. Designated Director:

Managing Director of the Company shall act as "Designated Director" and shall ensure overall compliance with the obligations imposed under Chapter IV of the Act.

The name, designation and address of the Designated Director, including changes from time to time, shall be communicated to the Director, Financial Intelligence Unit – India (FIU-IND) and also to the National Housing Bank.

4. Principal Officer:

General Manager of Cent Bank Home Finance Ltd. shall act as the Principal Officer of the Company. The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

The name, designation and address of the Principal Officer, including changes from time to time, shall be communicated to the Director, Financial Intelligence Unit – India (FIU-IND) and also to the National Housing Bank.

5. Compliance of KYC policy:

Regional Managers, not below the rank of Senior Manager of the Company, and all Branch Managers shall ensure compliance of the KYC Policy. They are responsible for effectively implementing the policies and procedures as directed by the Board/Audit Committee from time to time.

Internal Audit Department of the Company shall regularly verify the compliance with KYC/AML policies and procedures. All qualifications of the Internal Auditor shall be presented to the Audit Committee at periodic intervals.

All policies and procedures of the Company shall be evaluated by the Independent Professional, as and when, it is deemed necessary by the Board.

CBHFL shall ensure that decision-making functions of determining compliance with KYC norms shall not be outsourced.



CHAPTER -II

6. CUSTOMER ACCEPTANCE POLICY (CAP)

CBHFL shall ensure that:

- (a) No account is opened in anonymous or fictitious benami name.
- (b) No account is opened where CBHFL is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer.
- (c) No transaction or account based relationship is undertaken without following the CDD procedure.
- (d) The mandatory information is sought for KYC purpose while opening an account and during the periodic updation, in respect of different categories of customers depending upon the perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002.
- (e) CDD Procedure shall be followed for all joint account holders while opening joint accounts.
- (f) Optional/ additional information, is obtained with the explicit consent of the customer after the account is opened.
- (g) If an existing KYC compliant customer desires to open another account, there shall be no need for a fresh CDD exercise.
- (h) Circumstances in which, a customer is permitted to act on behalf of another person/ entity, is clearly spelt out.
- (i) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists issued by UN Security Council circulated by National Housing Bank and the sanctions lists circulated by Reserve Bank of India from time to time.
- (j) Parameters of risk perceptions are defined and Customers are categorized into three different levels of risk perception as given in para 7 and below.

Care would be taken that implementation of the Policy does not lead to harassment of the Customers and the adoption of Customer Acceptance Policy and its implementation would not result in denial of services to general public, especially to those, who are financially or socially disadvantaged.



7. CATEGORIZATION OF CUSTOMERS ACCORDING TO RISK PROFILE

7.1 LOW RISK CUSTOMERS:

Customers requiring basic verification of identity and location.

- Salaried employees whose salary structures are well defined
- People belonging to lower economic strata of society whose accounts show small balances and low turn-over
- Government departments and Government owned companies
- Regulators and statutory bodies

7.2 MEDIUM RISK CUSTOMERS

- Non-Resident customers
- High Net-Worth individuals
- Trusts, Charities, Non-Government Organizations (NGO) and organizations receiving donations
- Companies having close family shareholding or beneficial ownership
- Firms with 'sleeping partners'

7.3 HIGH RISK CUSTOMERS

This category of Customers require thorough probe

- Politically Exposed Persons (PEP)
- Non-face-to-face customers
- Those with dubious reputation as per public information available

The categorization of customers as per risk profile and implementation of the measures, however, would not result in denial of Company's

CHAPTER-III

8. RISK MANAGEMENT

An effective KYC programme is put in place in the Company by establishing appropriate procedures and ensuring their effective implementation. It covers proper management oversight, systems and controls, segregation of duties, training and other related matters. Responsibility is explicitly allocated within the Company for ensuring that all policies and procedures are implemented effectively. The Company has devised procedures for creating Risk Profiles of their existing and new customers and to apply various Anti Money Laundering measures keeping in view the risks involved in a transaction, account or business relationship.

All branches will strictly comply with the laid down policies on Accounting, Lending, Recovery, etc., and also the guidelines issued from Head Office from time to time.

The auditors auditing the branches will thoroughly check for compliance of KYC norms in the branches and comment on the lapses observed in this regard. Compliance on KYC norms by branches will be put before the Audit Committee at regular intervals.

Registered Office will ensure that all the frontline staff members are kept well informed of the KYC norms and procedures for implementation.

CHAPTER-IV

9. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

As per the 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 (PML Rules) requires that the Company, at the time of commencement of an account-based relationship, identify its customers, verify identity and obtain information on the purpose and intended nature of business relationship.

Customer Identification means identifying the customer and verifying his/her identity by using reliable, independent source documents, data or information.

Customer Identification Procedure will be carried out at different stages as follows:

- While establishing a relationship
- Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transaction that appear to be connected, or
- Any international money transfer operations
- When the Company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data, Company may further demand data as follows:

For customers that are natural persons, sufficient identification data to verify the identity of the customer, address/location and also recent photograph.

For Customers that are legal persons or entities, the legal status of the legal person/entity should be verified through proper and relevant documents. For any person purporting to act on behalf of the legal person/entity, it has to be verified whether he/she is so authorized and his/her identification has to be verified. Also, the ownership and control structure of the customer should be understood so as to determine who are the natural persons who ultimately control the legal person.

Customer identification requirements in respect of a few typical cases, especially legal persons requiring an extra element of caution are mentioned in annexure B in this Policy.

An indicative list of the nature and type of documents/information that may be relied upon for customer identification is given in CDD chapter in this Policy.



CHAPTER – V

10. CUSTOMER DUE DILIGENCE (CDD) PROCEDURE

Procedure for obtaining identification

- a) While undertaking CDD, CBHFL shall obtain the following information from an individual while establishing an account based relationship with an 'individual' or dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:
- (i) the Aadhaar number where he or she is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act, or certified copy of an OVD containing details of identity and address, and one recent photograph; and
 - (ii) the Permanent Account Number (PAN)

Explanation 1- 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.

Explanation 2: The submission of Aadhaar by an individual as a KYC document in cases other than mentioned at (i) above cannot be insisted upon. 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

Explanation 3: Where the customer is submitting Aadhaar, the Company shall be guided by directions issued by Unique Identification Authority of India from time to time.

- b) In case the OVD furnished by the customer does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:-
- i. utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
 - ii. pension or family pension payment order if they are issued to retired employees by Government Departments or Public Sector Undertaking, if they contain the address;
 - iii. property or Municipal tax receipt;
 - iv. Letter of allotment of accommodation from employer issued by state government or central Government department statutory & Regulatory Bodies public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation;

Provided that in case the OVD submitted by a foreign national does not contain the details of address, in such case the documents issued by the Government

departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Provided further that the customer shall submit updated OVD with current address within a period of three months of submitting the above documents.

- c) A customer already having an account based relationship with CBHFL, shall submit his Permanent Account Number 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:

Provided that before temporarily ceasing operations for an account, the Company shall give the customer an accessible notice and a reasonable opportunity to be heard.

Explanation: -For the purpose of this clause, "temporary ceasing of operations" in relation to an account means the temporary suspension of all transactions or activities in relation to that account by the Company till such time the customer complies with the provisions of this clause;

In case of asset accounts such as loan accounts, for the purpose of ceasing the operation in the account, only credits shall be allowed.

- d) If a customer having an existing account based relationship with CBHFL gives in writing to the Company 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 with CBHFL shall be closed and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer. The Company shall duly inform the customer about this provision while opening the account.

CDD Measures for different customers defined in annexure A of the Policy

- e) Accounts of Non-face-to-face customers:

The Company shall ensure that the first payment is to be effected through the customer's KYC-complied account, for enhanced due diligence of non-face-to-face customers.

- f) Accounts of Politically Exposed Persons (PEPs):

CBHFL shall have the option of establishing a relationship with PEPs; Politically Exposed Persons are individuals who are or have been entrusted with prominent public functions, 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 sufficiently senior level, not below the rank of General Manager. Branches should monitor such accounts on an ongoing basis. These norms are also applicable to the accounts of family members or close relatives of PEPs. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, Head Office approval is required to continue the business relationship. The CDD measures as applicable to PEPs, including enhanced monitoring on an ongoing basis, are applicable.

g) CBHFL shall not allow opening of customer account through professional intermediaries.

CHAPTER-VI

11 MONITORING OF TRANSACTIONS:

- Ongoing monitoring is an essential element of effective KYC procedures.
- Special attention will be paid to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.
- The Branches will have to regularly monitor the transactions of over Rs.10 lakh.
- The monitoring will be done according to the Risk level of the borrowers and any abnormal transaction will have to be probed.
- A record of such transactions which are inconsistent with the level of the borrowers and also transactions of suspicious nature will be maintained at the branch in terms of Section 12 of Prevention of Money Laundering Act, 2002.
- Any cash transaction of over Rs.1 lakh and also of any suspicious nature has to be reported by the branches to Head Office of the Company on the same day providing all relevant information.

Customers that are likely to pose a higher than average risk to the Company 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 client profile, etc. The Company shall 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.

Illustrative list of customers requiring higher due diligence include:

- non-resident customers,
- high net worth individuals,
- trusts, charities, NGOs and organizations receiving donations,
- companies having close family shareholding or beneficial ownership,
- firms with 'sleeping partners',
- politically exposed persons (PEPs),
- non-face to face customers,
- those with dubious reputation as per public information available.



12. Periodic Updation:

Periodic 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 as per the following procedure:

- a. All Branches shall carry out:
 - i. PAN verification from the verification facility available with the issuing authority
 - ii. Authentication of Aadhaar Number already available with the Company 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 not eligible to obtain Aadhaar, except from individuals 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 shall be obtained.
 - v. In case of Legal entities, Company shall review the documents sought at the time of opening of account and obtain fresh certified copies.
- b. Branches may not insist on the 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/holders is required to establish their bona-fides. Normally, OVD/Consent forwarded by the customer through mail/post, etc., shall be acceptable.
- c. Branches shall provide acknowledgment with date of having performed KYC updation.
- d. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.



CHAPTER - VII
MAINTENANCE & REPORTING OF TRANSACTIONS

13. MAINTENANCE OF RECORDS OF TRANSACTIONS:

All branches will be maintaining proper record of transactions prescribed under Rule 3 of the Prevention of Money Laundering Act, 2002 as mentioned below:

- All cash transactions of value more than Rs.10 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 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 lakh or its equivalent in foreign currency,
- 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
- All suspicious transactions whether or not made in cash and by way of as mentioned in the rules.
- The branches are required to maintain the following information in respect of transactions referred to Rule 3 of the prevention of Money Laundering.

i) the nature of 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

14. MAINTENANCE AND PRESERVATION OF RECORDS

- The branches will maintain the records for at least 10 years from the date of cessation of transaction between the Company and the client so as to retrieve the transactions and provide evidence for prosecution of persons involved in criminal activity.
- All branches will maintain the records pertaining to the identification of the customers and their addresses including copies of passports, identity card, driving licenses, PAN, utility bills, obtained while opening the account and during the course of business relationship and properly preserve for at least 10 years after the business relationship is ended. The identification records and transaction data should be made available to the competent authorities upon request.

15. REPORTING TO REGULATORS

A) FINANCIAL INTELLIGENCE UNIT - INDIA

The Company will be reporting the information in the proper format, transactions relating to cash and suspicious nature to the Director, Financial Intelligence Unit-India (FIU-IND) at the following address:

Director, FIU-IND

Financial Intelligence Unit - India

6th Floor, Hotel Samrat

Chanakyapuri

New Delhi - 110 021

1. 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 mentioned in para 13 above) is to be submitted to the Director every month by the 15th day of succeeding month.
2. The information to be submitted to the Director promptly, in writing or by E-mail, or by fax, not later than seven working days from the date of occurrence of such transaction and on being satisfied that the transaction is suspicious.
3. A copy of information furnished shall be retained by the 'Principal Officer' for the purposes of official record.
4. CBHFL shall not put any restriction on operations in the accounts where an STR has been filed. The Company shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level
5. No need to submit NIL cash transaction report (CTR) OR Suspicious transaction report (STR) to FIU-IND.

B) FATCA

Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS) Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

- (a) Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution
- (b) Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61Bor 'NIL' report, for which, the scheme prepared by Central Board of Direct Taxes (CBDT) shall be referred to.
Explanation - CBHFL shall refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://wwwfedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H of Income Tax Rules.
- (c) Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H of Income Tax Rules.
- (d) Develop a system of audit for the IT framework and compliance with Rules 114F,114G and 114H of Income Tax Rules.
- (e) Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
- (f) Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time.

In addition to the above, other United Nations Security Council Resolutions (UNSCRs) circulated by the Reserve Bank in respect of any other jurisdictions/entities from time to time shall also be taken note of.



**CHAPTER-VIII
OTHER MEASURES**

16. Secrecy Obligations and Sharing of Information:

- (i) CBHFL shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.
- (ii) While considering the requests for data/information from Government and other agencies, CBHFL shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in transactions.
- (iii) An illustrative list of suspicious transactions in housing/builder / project loans is furnished in Annexure – A of the policy.

17. Sharing KYC information with Central KYC Records Registry (CKYCR)

CBHFL shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

18. Hiring of Employees and Employee training

- (a) Adequate screening mechanism as an integral part of their personnel recruitment/hiring process should be put in place.
- (b) On-going employee training programme should be put in place so that the members of staff are adequately trained in KYC/AML Measures. The focus of training should be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff should be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML Measures/ policies of CBHFL, regulation and related issues should be ensured.

19. Adherence to Know Your Customer (KYC) guidelines by persons authorised by CBHFL including brokers, agents, etc.

- (a) Persons authorized by CBHFL for collecting deposits and/ or selling loan related products, their brokers/ agents or the like, shall be fully compliant with the KYC guidelines.
- (b) All information shall be made available to the National Housing Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by CBHFL including brokers/ agents etc. who are operating on their behalf.

20. General

CBHFL shall ensure that the provisions of the PML Act, Rules framed thereunder and the the Foreign Contribution (Regulation) Act, 2010, applicable, are adhered to strictly.



Where the Company is unable to apply appropriate KYC measures due to non furnishing of information and / or non-cooperation by the customer, it 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 not below the level of Regional Manager/ Senior Manager.



ANNEXURE A

Customers/Clients	Documents
<p data-bbox="191 338 402 367">For Individuals</p> <p data-bbox="191 407 570 436">-Proof of Identity and Address</p>	<p data-bbox="602 338 760 367">(i) Passport</p> <p data-bbox="602 407 769 436">(ii) PAN card</p> <p data-bbox="602 476 919 506">(iii) Voter's Identity Card</p> <p data-bbox="602 546 846 575">(iv) Driving License</p> <p data-bbox="602 594 1433 659">(v) Job Card issued by NREGA duly signed by an officer of the State Govt</p> <p data-bbox="602 699 1442 938">(vi) The letter issued by the Unique Identification Authority of India (UIDAI) containing details of name, address and Aadhaar number. It may be obtained where the customer is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the of the Aadhaar Act, or certified copy of an OVD containing details of identity and address, and one recent photograph; and</p> <p data-bbox="602 978 1357 1043">For verifying for the limited purpose of proof of address the following additional documents are deemed to be OVDs .:</p> <ol data-bbox="678 1083 1446 1755" style="list-style-type: none"><li data-bbox="678 1083 1446 1182">I. Utility bill which is not more than two months old of any service provider (electricity, telephone, postpaid mobile phone, piped gas, water bill);<li data-bbox="678 1182 1219 1211">II. Property or Municipal Tax receipt;<li data-bbox="678 1211 1406 1276">III. Bank account or Post Office savings bank account statement;<li data-bbox="678 1276 1446 1415">IV. Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;<li data-bbox="678 1415 1446 1633">V. Letter of allotment of accommodation from employer issued by State or Central Government departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies. Similarly, leave and license agreements with such employers allotting official accommodation; and<li data-bbox="678 1665 1425 1755">VI. Documents issued by Government departments of foreign jurisdictions and letter issued by Foreign Embassy or Mission in India. <p data-bbox="602 1791 1398 1890">Explanation 1 - Obtaining a certified copy by the CBHFL 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 CBHFL.</p>



	<p>Explanation 2: The submission of Aadhaar by an individual as a KYC document in cases other than mentioned at (i) above cannot be insisted upon. 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</p> <p>Explanation 3: Where the customer is submitting Aadhaar, CBHFL shall be guided by directions issued by Unique Identification Authority of India from time to time.</p>
<p>For Companies/ Legal entities</p> <p>-Name of the Company</p> <p>-Principal place of business</p> <p>-Mailing address of the Company</p> <p>-Telephones/Fax number</p>	<ol style="list-style-type: none"> i. Certificate of Incorporation and Memorandum and Articles of Association ii. Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account. iii. Power of Attorney granted to its managers, officers or employees to transact the business on its behalf iv. Copy of PAN allotment letter v. Copy of telephone bill copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers or Form 60 of the managers, officers or employees, as the case may be, holding a power of attorney to transact on its behalf.
<p>For Partnership firms</p> <p>-Legal Name</p> <p>-Address</p> <p>-Name of all the partners and their addresses</p> <p>- Telephone numbers of the firm and partners</p>	<ol style="list-style-type: none"> i. Registration certificate, if registered ii. Partnership deed iii. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf iv. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses v. Telephone Bill in the name of firm and/partners vi. copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers or Form 60 of the managers, officers or employees, as the case may be, holding a power of attorney to transact on its behalf. vii. PAN of the partnership firm.
<p>For Trusts & Foundations</p> <p>-Names of trustees, settlers, beneficiaries and signatories</p> <p>-Name and Addresses of the founder, the managers/directors and the</p>	<ol style="list-style-type: none"> i. Certificate of registration, if registered ii. Power of Attorney granted to transact business on its behalf iii. Any officially valid document to identify trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their

beneficiaries	<p>addresses</p> <ul style="list-style-type: none"> iv. Resolution of the managing body of the foundation/association v. Telephone Bill vi. Trust deed Vii PAN viii. copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers or Form 60 of the managers, officers or employees, as the case may be, holding a power of attorney to transact on its behalf-
For Unincorporated association or a body of individuals	<ul style="list-style-type: none"> i. Resolution of the managing body of such association ii. Power of attorney granted to transact on its behalf, iii. an officially valid document in respect of the person holding a power of attorney to transact on its behalf, iv. any such other information as branch may require to establish the legal existence of such an association or body of individuals. V. PAN



For Sole Proprietorship Firms

In addition to PAN Card any two of the following documents as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- 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/ Service Tax/ Professional Tax authorities.
- (f) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/Licence/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- (g) 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.
- (h) Utility bills such as electricity, water, or landline telephone bills.

In cases where the Company is satisfied that it is not possible to furnish two such documents, CBHFL may, at its discretion, accept only one of those documents as proof of business/activity, provided that CBHFL undertakes contact point verification and collects such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.



<p>Judicial person, government owned department, societies, universities, local bodies.</p>	<p>For opening accounts of juridical persons not specifically covered in the earlier part, such as Government or its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents shall be obtained:</p> <p>(a) Document showing name of the person authorised to act on behalf of the entity;</p> <p>(b) Aadhaar/PAN/ OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and</p> <p>(c) Such documents as may be required by the CBHFL to establish the legal existence of such an entity/juridical person.</p>
<p>Beneficial owner</p>	<p>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 in terms of Rule 9(3) of the Rules to verify his/her identity shall be undertaken keeping in view the following:</p> <p>(a) 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.</p> <p>(b) 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 place shall be obtained.</p>
<p>Hiring of Employees and Employee training</p>	<p>(a) Adequate screening mechanism as an integral part of their personnel recruitment/hiring process should be put in place.</p> <p>(b) On-going employee training programme should be put in place so that the members of staff are adequately trained in KYC/AML Measures policy. The focus of the training should be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff should be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in KYC/AML Measures policies of the CBHFL, regulation and related issues should be ensured.</p>
<p>KYC guideline for broker and DSA</p>	<p>(a) Persons authorized by CBHFLs for collecting deposits and/ or selling loan related products, their brokers/ agents or the like, shall be fully compliant with the KYC guidelines applicable to CBHFLs.</p> <p>(b) All information shall be made available to the National Housing Bank to verify the compliance with the KYC guidelines and accept full consequences of any violation by the persons authorised by CBHFLs including brokers/ agents etc. who are operating on their behalf.</p>



Sharing Of KYC Information

CBHFLs shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as required by the revised KYC templates prepared for 'individuals' and 'Legal Entities' as the case may be. Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015. The CBHFLs are required to upload the Know Your Customer (KYC) data with CERSAI in respect of new individual accounts opened on or after November 01, 2016.



ANNEXURE - B

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 Company.

4. Accounts of Politically Exposed Persons (PEPs)

Politically Exposed Persons are individuals who are or have been entrusted with prominent public functions, 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 not below the level of General 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

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

- a. Builder approaching 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.

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 for loan, which is far away from the customer's residential or business address provided in the loan application,
- 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;



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- 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.
- u) Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- v) Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.
- w) Individual or classes of transactions that take place outside the established business profile, and expected activities/ Transaction unclear.
- x) Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.
- y) Unusual financial transactions with unknown source
- z) Investment in real estate at a higher/lower price than expected.

