



Know Your Customer & Anti-Money Laundering Measures

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Recommended by

CEO

Approved by

Board of Directors

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Glossary

NHB/RBI	National Housing Bank/Reserve Bank of India
CAP	Customer Acceptance Policy
CIP	Customer Identification Procedures
PMLA	Prevention of Money Laundering Act
PEP	Politically Exposed Person
KYC	Know Your Customer
AML	Anti-Money Laundering
HFCL	Home Finance Company Limited
HFC	Housing Finance Company
CTR	Cash Transaction Report
STR	Suspicious Transaction Report
FIU – IND	Financial Intelligence Unit – India
CIBIL	Credit Information Bureau (India) Limited
UIDAI	Unique Identification Authority of India
CERSAI	Central Registry of Securitisation Asset Reconstruction and Security Interest of India

The National Housing Bank (NHB)/Reserve Bank of India (RBI) had advised all the HFCs to ensure that a proper policy framework on Know Your Customer and Anti Money Laundering measures is formulated and put in place with approval of the Board. The policy was to lay down the systems and procedures to help control financial frauds, identify money laundering and suspicious transactions, combating financing of terrorism and careful scrutiny/ monitoring of large value of cash transactions. Pursuant to advice from the NHB/RBI, a Know Your Customer and Anti Money Laundering Policy (the Policy) was put in place with approval of the Board.

Since then, the Policy has been reviewed and revised with the approval of the Board, in line with the guidelines on KYC & AML issued by regulators.

This policy should be read in conjunction with Suspicious Transaction Detecting and Reporting Policy. Muthoot Housing Finance Company Ltd (MHFCL), which is a registered Housing Finance Company (HFC) with NHB/RBI, provides housing loans, property loans and plot finance to its customers.

MHFCL commits itself to the highest standards of transparency, compliance and fair practices while meeting the business loan needs of Housing in a timely and effective manner. It intends that the HFC's (MHFCL) business, be conducted in accordance with the prevailing statutory and regulatory requirements with due focus on efficiency, customer-orientation and corporate governance principles.

MHFCL shall adopt all the best practices prescribed by NHB/RBI from time to time and shall make appropriate modifications if any necessary to this code to conform to the standards so prescribed. This policy is applicable across all branches / business segments of MHFCL

In terms of the provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time by the Government of India as notified by the Government of India, Regulated Entities (HFC) are required to follow certain customer identification procedures while undertaking a transaction either by establishing an account-based relationship or otherwise and monitor their transactions. HFC shall take steps to implement the provisions of the aforementioned Act and Rules, including operational instructions issued in pursuance of such amendment(s).

Accordingly, in exercise of the powers conferred by Sections 35A of the Banking Regulation Act, 1949, the Banking Regulation Act (AACS), 1949, read with Section 56 of the Act *ibid*, Rule 9(14) of Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 and all other laws enabling the Reserve Bank in this regard, the Reserve Bank of India being satisfied that it is necessary and expedient in the public interest to do so, hereby issues the Directions hereinafter specified.

CHAPTER – I: PRELIMINARY

1. Objectives

The basic objectives of the policy are

- a. To enable adherence to the “Know Your Customer” (KYC) policies and procedures issued by NHB/RBI
- b. To comply with the guidelines issued in Prevention of Money Laundering Act (PMLA), 2002.

2. Applicability

It may be noted that KYC – AML policy as stated in this document shall prevail over anything else contained in any other document / process/circular/letter/instruction in this regard (KYC-AML). This policy shall be applicable to all verticals/products of MHFCL whether existing or rolled out in future.

KYC and AML Policy guidelines are applicable to all the functions of the MHFL dealing with customers, vendors / service providers and employees. Functions should adhere to the guidelines mentioned in this policy and also incorporate them while designing other internal policies, procedures, products etc.

This policy should be read in conjunction with related internal operational guidelines issued by NHB/RBI from time to time.

3. Definitions:

In these Directions, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below:

- (a) Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:
 - i. “Aadhaar number” shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);
 - ii. “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.
 - iii. “Authentication”, in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.

iv. 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 persons, has/have a controlling ownership interest or who exercise control through other means.

Explanation- For the purpose of this sub-clause-

1. "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of HFC.

2. "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/entitlement to more than 15 per cent of capital or profits of the partnership.

v. "Certified Copy" - Obtaining a certified copy by the HFC shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the HFC as per the provisions contained in the Act.

vi. "Central KYC Records Registry" (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

vii. "Designated Director" means a person designated by the HFC to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include:

a. the Managing Director or a whole-time Director, duly authorized by the Board of Directors, if the HFC is a company,

b. the Managing Trustee, if the HFC is a trust,

c. a person or individual, as the case may be, who controls and manages the affairs of the HFC, if the HFC is an unincorporated association or a body of individuals.

Explanation - For the purpose of this clause, the terms "Managing Director" and "Whole-

time Director" shall have the meaning assigned to them in the Companies Act, 2013.

- viii. "Digital KYC" means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the HFC as per the provisions contained in the Act.
- ix. "Digital Signature" shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- x. "Equivalent e-document" means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- xi. "Know Your Client (KYC) Identifier" means the unique number or code assigned to a customer by the Central KYC Records Registry.
- xii. "Officially Valid Document" (OVD) means the passport, the driving license, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address. Provided that,
 - a. where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India.
 - b. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof 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, waterbill);
 - ii. property or Municipal tax receipt;
 - iii. pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
 - iv. letter of allotment of accommodation from employer issued by State Government

or Central Government Departments, statutory or regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and licence agreements with such employers allotting official accommodation;

- c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

- xiii. "Offline verification" shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- xiv. "Person" has the same meaning assigned 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 any one 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)
- xv. "Principal Officer" means an officer nominated by the HFC, responsible for furnishing information as per rule 8 of the Rules.
- xvi. "Suspicious transaction" means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith:
 - a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
 - b. appears to be made in circumstances of unusual or unjustified complexity; or
 - c. appears to not have economic rationale or *bona-fide* purpose; or
 - d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism.

Explanation: Transaction involving financing of the activities relating to terrorism includes

transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.

- xvii. “Transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes:
- a. opening of an account;
 - b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means;
 - c. the use of a safety deposit box or any other form of safe deposit;
 - d. entering into any fiduciary relationship;
 - e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
 - f. establishing or creating a legal person or legal arrangement.
- xviii. Video based Customer Identification Process (V-CIP): a method of customer identification by an official of the HFC by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process for the purpose of this Master Direction.
- (b) Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below:
- i. “Common Reporting Standards” (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
 - ii. “Customer” means a person who is engaged in a financial transaction or activity with a Regulated Entity (HFC) and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
 - iii. “Walk-in Customer” means a person who does not have an account-based relationship with the HFC, but undertakes transactions with the HFC
 - iv. “Customer Due Diligence (CDD)” means identifying and verifying the customer and the beneficial owner.
 - v. “Customer identification” means undertaking the process of CDD.
 - vi. “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.

- vii. “IGA” means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
 - viii. “KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
 - ix. “Non-face-to-face customers” means customers who open accounts without visiting the branch/offices of the HFC or meeting the officials of HFC.
 - x. “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.
 - xi. “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 Reserve Bank.
 - xii. “Politically Exposed Persons” (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- (c) All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

CHAPTER – II: General

4. There shall be a Know Your Customer (KYC) policy duly approved by the Board of Directors of MHFCL or any committee of the Board to which power has been delegated.
5. The KYC policy shall include following four key elements:
 - (a) Customer Acceptance Policy;
 - (b) Risk Management;
 - (c) Customer Identification Procedures (CIP); and
 - (d) Monitoring of Transactions

5A. Money Laundering and Terrorist Financing Risk Assessment by HFC:

- a. MHFL shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk for clients, countries or geographic areas, products, services, transactions or delivery channels, etc.
The assessment process should consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, MHFCL shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with MHFCL from time to time.
- b. The risk assessment by MHFCL shall be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. of the HFC. Further, the periodicity of risk assessment exercise shall be determined by the Board of - MHFCL, in alignment with the outcome of the risk assessment exercise. However, it should be reviewed at least annually.
- c. The outcome of the exercise shall be put up to the Board or any committee of the Board to which power in this regard has been delegated, and should be available to competent authorities and self-regulating bodies.

MHFCL shall apply a Risk Based Approach (RBA) for mitigation and management of the identified risk and should have Board approved policies, controls and procedures in this regard. Further, MHFCL shall monitor the implementation of the controls and enhance them if necessary.

6. Designated Director:

MHFCL has appointed the Managing Director of the Company as the Designated Director in terms of the Prevention of Anti- Money Laundering (Amendment) Rule 2013. He will be responsible for overall compliance under PMLA and Rules and Regulation made thereunder

7. Principal Officer:

MHFCL has designated Head Credit of the Company as 'Principal Officer'. The name of the Principal Officer so designated, his designation and address including changes from time to time, has been communicated to the Director, FIU-IND and also to RBI. He shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law and will maintain close liaison with enforcement agencies, the Company and any other institution which are involved in the fight against money laundering and combating financing of terrorism.

8. Compliance of KYC policy

MHFCL to ensure compliance with KYC Policy through:

- a. A senior officer in the rank of Head Operations will constitute as 'Senior Management' for the purpose of KYC compliance.
- b. Allocation of responsibility through Office Order for effective implementation of policies and procedures at HO / Zonal Office / Circle Office level.
- c. Independent evaluation of the compliance functions of MHFCL policies and procedures, including legal and regulatory requirements be done by Compliance Division, HO.
- d. Concurrent / internal audit system to verify the compliance with KYC / AML policies and procedures and submit quarterly audit notes and compliance to the Audit Committee.

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

CHAPTER – III: Customer Acceptance Policy

9. MHFCL has formulated a robust Customer Acceptance Policy which aims to verify the identity and address of customer by using reliable, independent source documents, data or information. It will however be ensured that Customer Acceptance Policy does not lead to any customer harassment or leads to denial of financial service to general public especially to those who are financially or socially disadvantaged.
10. Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, MHFCL shall ensure that:
- (a) No account is opened in anonymous or fictitious/benami name.
 - (b) No account is opened where the MHFCL 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 to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
 - (e) 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
 - (f) MHFCL shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a MHFCL desires to open another account with the same MHFCL, there shall be no need for a fresh CDD exercise.
 - (g) CDD Procedure is followed for all the joint account holders, while opening a joint account.
 - (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 list issued by UN Security council circulated by NHB/RBI and the sanctions lists circulated by Reserve Bank of India.
 - (j) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
 - (k) Where an equivalent e-document is obtained from the customer, MHFCL shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
11. Customer Acceptance Policy shall not result in denial of financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

CHAPTER – IV: Risk Management

12. For Risk Management, MHFCL shall have a risk based approach which includes the following.

- (a) Customers shall be categorised as low, medium and high risk category, based on the assessment and risk perception of the MHFCL.
- (b) Risk categorisation shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

CHAPTER – V: Customer Identification Procedure (CIP)

13. MHFCL shall undertake identification of customers in the following cases:

- (a) Commencement of an account-based relationship with the customer.
- (b) When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.

14. For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, MHFCL, shall at their option, rely on customer due diligence done by a third party, subject to the following conditions:

- (a) Records or the information of the customer due diligence carried out by the third party is obtained within two days from the third party or from the Central KYC Records Registry.
- (b) Adequate steps are taken by MHFCL to satisfy themselves that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- (c) The third party is regulated, supervised or monitored for, and has measures in place for, compliance with customer due diligence and record-keeping requirements in line with the requirements and obligations under the PML Act.
- (d) The third party shall not be based in a country or jurisdiction assessed as high risk.
- (e) The ultimate responsibility for customer due diligence and undertaking enhanced due diligence measures, as applicable, will be with the MHFCL.
- (f) The Company needs to obtain sufficient information necessary to establish, to their satisfaction The Company needs to 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. Rule 9 (Maintenance of Records) of the PML Rules and RBI and NHB directives provide for the documents/information to be obtained for identifying various types of customers i.e. individuals, companies, partnership firms, trusts, unincorporated association or a body of individuals and juridical persons. All staff and officials of MHFL are advised to take note of the provisions of the above rule and ensure compliance.

CHAPTER – VI: Customer Due Diligence (CDD) Procedure

Part I - Customer Due Diligence (CDD) Procedure in case of Individuals

15. For undertaking CDD, MHFCL shall obtain the following from an individual while establishing an account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:
- 16.
- (a) the Aadhaar number where,
 - (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
 - (ii) he decides to submit his Aadhaar number voluntarily to MHFCL notified under first proviso to sub-section (1) of section 11A of the PML Act; or
 - (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
 - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
 - (b) the Permanent Account Number or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
 - (c) such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the MHFCL:

Provided that where the customer has submitted,

- i) Aadhaar number under clause (a) above to a HFC notified under first proviso to sub-section (1) of section 11A of the PML Act, MHFCL shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to MHFCL.
- ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, MHFCL shall carry out offline verification.
- iii) an equivalent e-document of any OVD, MHFCL shall verify the digital signature as per

the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under [Annex I](#).

iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, MHFCL shall carry out verification through digital KYC as specified under [Annex I](#).

Provided that for a period not beyond such date as may be notified by the Government for a class of HFC, instead of carrying out digital KYC, MHFCL may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e- document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, MHFCL shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e- document thereof from the customer. CDD done in this manner shall invariably be carried out by an official of the MHFCL and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. MHFCL shall ensure to duly record the cases of exception handling in a centralised exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorising the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the MHFCL and shall be available for supervisory review.

Explanation 1: MHFCL shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

Explanation 2: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

- 17.** Accounts opened using OTP based e-KYC, in non-face-to-face mode, are subject to the following conditions:
- i. There must be a specific consent from the customer for authentication through OTP.
 - ii. the aggregate balance of all the deposit accounts of the customer shall not exceed rupees

one lakh. In case, the balance exceeds the threshold, the account shall cease to be operational, till CDD as mentioned at (v) below is complete.

- iii. the aggregate of all credits in a financial year, in all the deposit accounts taken together, shall not exceed rupees two lakh.
- iv. As regards borrowal accounts, only term loans shall be sanctioned. The aggregate amount of term loans sanctioned shall not exceed rupees sixty thousand in a year.
- v. Accounts, both deposit and borrowal, opened using OTP based e-KYC shall not be allowed for more than one year within which identification as per Section 16 is to be carried out.
- vi. If the CDD procedure as mentioned above is not completed within a year, in respect of deposit accounts, the same shall be closed immediately. In respect of borrowal accounts no further debits shall be allowed.
- vii. A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in non- face-to-face mode with any other HFC. Further, while uploading KYC information to CKYCR, MHFCL shall clearly indicate that such accounts are opened using OTP based e-KYC and other HFC shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.
- viii. MHFCL shall have strict monitoring procedures including systems to generate alerts in case of any non-compliance/violation, to ensure compliance with the above mentioned conditions.

18. MHFCL may undertake live V-CIP, to be carried out by an official of the MHFCL, for establishment of an account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

- i. The official of the MHFCL performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information as below:
 - MHFCL can only carry out Offline Verification of Aadhaar for identification.
- ii. MHFCL shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
- iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India
- iv. The official of the MHFCL shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the

customer.

- v. The official of the MHFCL shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.
 - vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.
 - vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.
 - viii. MHFCL shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. MHFCL shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.
 - ix. To ensure security, robustness and end to end encryption, the MHFCL shall carry out software and security audit and validation of the V-CIP application before rolling it out.
 - x. The audiovisual interaction shall be triggered from the domain of the MHFCL itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
 - xi. MHFCL shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
 - xii. MHFCL may take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the MHFCL.
 - xiii. MHFCL shall ensure to redact or blackout the Aadhaar number in terms of Section 16.
- 19.** KYC verification once done by one branch/office of the MHFCL shall be valid for transfer of the account to any other branch/office of MHFCL, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updates.

Part II - CDD Measures for Sole Proprietary firms

- 20.** For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.
- 21.** In addition to the above, any two of the following documents or the equivalent e- documents there of 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 or 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, landline telephone bills, etc.
- 22.** In cases where MHFCL are satisfied that it is not possible to furnish two such documents, MHFCL may, at their discretion, accept only one of those documents as proof of business/activity.

Provided MHFCL undertake contact point verification and collect 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.

Part III- CDD Measures for Legal Entities

23. For opening an account of a company, certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Certificate of incorporation
- (b) Memorandum and Articles of Association
- (c) Permanent Account Number of the company
- (d) A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- (e) Documents, as specified in Section 16, relating to beneficial owner, the managers, officers or employees, as the case may be, holding an attorney to transact on the company behalf

24. For opening an account of a partnership firm, the certified copies of each of the following documents or the equivalent e-documents thereof shall be obtained:

- (a) Registration certificate
- (b) Partnership deed
- (c) Permanent Account Number of the partnership firm
- (d) Documents, as specified in Section 16, relating to beneficial owner, managers, officers or employees, as the case may be, holding an attorney to transact on its behalf

Part IV - Identification of Beneficial Owner

25. 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 sub- rule (3) of Rule 9 of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- (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.
- (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.

Part V - On-going Due Diligence

26. MHFCL shall undertake on-going due diligence of customers to ensure that their transactions are consistent with their knowledge about the customers, customers' business and risk profile; and the source of funds.

27. The extent of monitoring shall be aligned with the risk category of the customer as per Annexure 2

Explanation: High risk accounts have to be subjected to more intensified monitoring.

A system of periodic review of risk categorisation of accounts, with such periodicity being at least once in six months, and the need for applying enhanced due diligence measures shall be put in place.

28. 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) MHFCL shall carry out

- i. CDD, as specified in Section 15, at the time of periodic updation. However, 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.
- ii. In case of Legal entities, MHFCL shall review the documents sought at the time of opening of account and obtain fresh certified copies.

MHFCL shall ensure that KYC documents, as per extant requirements of the Master Direction, are available with them.

(b) MHFCL may not insist on the physical presence of the customer for the purpose of furnishing OVD or furnishing consent for Aadhaar authentication/Offline Verification 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) MHFCL shall ensure to 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.

Part VI - Enhanced Due Diligence Procedure

27. Enhanced Due Diligence

Accounts of non-face-to-face customers (other than Aadhaar OTP based on-boarding):

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

28. Accounts of Politically Exposed Persons (PEPs)

MHFCL shall have the option of establishing a relationship with PEPs provided that:

- i. Sufficient information including information about the sources of funds accounts of family members and close relatives is gathered on the PEP;
- ii. The identity of the person shall have been verified before accepting the PEP as a customer;
- iii. The decision to open an account for a PEP is taken at a senior level, in accordance with the Customer Acceptance Policy;
- iv. All such accounts are subjected to enhanced monitoring on an on-going basis;
- v. In the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval will be obtained to continue the business relationship;
- vi. The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.
- vii. These instructions shall also be applicable to accounts where a PEP is the beneficial owner.

29. Client accounts opened by professional intermediaries:

MHFCL shall ensure while opening client accounts through professional intermediaries, that:

- i. Clients shall be identified when client account is opened by a professional intermediary on behalf of a single client.
- ii. MHFCL shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types

- of funds.
- iii. MHFCL shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the MHFCL.
 - iv. All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of the company, and there are 'sub- accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of the company, MHFCL shall look for the beneficial owners.
 - v. MHFCL shall, at their discretion, rely on the 'customer due diligence' (CDD) done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.
 - vi. The ultimate responsibility for knowing the customer lies with the MHFCL.

CHAPTER – VII: Record Management

30. The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of PML Act and Rules.

MHFCL shall,

- (a) Maintain all necessary records of transactions between MHFCL and the customer, for at least five years from the date of transaction;
- (b) Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;
- (c) Make available the identification records and transaction data to the competent authorities upon request;
- (d) Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005);
- (e) Maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including the following:
 - (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.
- (f) Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities;
- (g) Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.

CHAPTER VIII - Reporting Requirements to Financial Intelligence Unit – India

- 31.** MHFCL shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.
- 32.** The reporting formats and comprehensive reporting format guide, prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by HFC which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data. The Principal Officer of MHFL will feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>.
- 33.** While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. MHFCL shall not put any restriction on operations in the accounts where an STR has been filed. MHFCL 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.
- 34.** Robust software, throwing alerts when the transactions are inconsistent with risk categorization and updated profile of the customers shall be put in to use as a part of effective identification and reporting of suspicious transactions.

CHAPTER – IX: Other Instructions

35. Secrecy Obligations and Sharing of Information:

- (a) MHFCL shall maintain secrecy regarding the customer information which arises out of the contractual relationship between MHFCL and customer.
- (b) Information collected from customers for the purpose of opening of account shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- (c) While considering the requests for data/information from Government and other agencies, MHFCL 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 the banking transactions.
- (d) The exceptions to the said rule shall be as under:
 - i. Where disclosure is under compulsion of law
 - ii. Where there is a duty to the public to disclose,
 - iii. the interest of MHFCL requires disclosure and
 - iv. Where the disclosure is made with the express or implied consent of the customer.
- (e) MHFCL shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934.

36. CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

MHFCL 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 'live run' of the CKYCR would start with effect from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, REs shall take the following steps:

- (i) MHFCL shall upload the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017 with CERSAI in terms of the provisions of the Prevention of Money Laundering (Maintenance of Records) Rules, 2005.
- (ii) Operational Guidelines (version 1.1) for uploading the KYC data have been released by CERSAI. Further, 'Test Environment' has also been made available by CERSAI for

the use of MHFCL.

- 37.** (a) A Unique Customer Identification Code (UCIC) shall be allotted while entering into new relationships with individual customers as also the existing customers by MHFCL.

38. Quoting of PAN

Permanent account number (PAN) or equivalent e-document thereof of customers shall be obtained and verified while undertaking transactions as per the provisions of Income Tax Rule [114B](#) applicable to banks, as amended from time to time. Form 60 shall be obtained from persons who do not have PAN or equivalent e-document thereof.

39. Hiring of Employees and Employee training

- a. Adequate screening mechanism as an integral part of their personnel recruitment/hiring process shall be put in place.
- b. On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall 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 AML/CFT policies of the MHFCL, regulation and related issues shall be ensured.

Annex I – Digital KYC Process

- A. MHFCL shall develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of their customers and the KYC process shall be undertaken only through this authenticated application of MHFCL.
- B. The access of the Application shall be controlled by MHFCL and it should be ensured that the same is not used by unauthorized persons. The Application shall be accessed only through login-id and password or Live OTP or Time OTP controlled mechanism given by MHFCL to its authorized officials.
- C. The customer, for the purpose of KYC, shall visit the location of the authorized official of MHFCL or vice-versa. The original OVD shall be in possession of the customer.
- D. MHFCL must ensure that the Live photograph of the customer is taken by the authorized officer and the same photograph is embedded in the Customer Application Form (CAF). Further, the system Application of MHFCL shall put a water- mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by MHFCL) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- E. The Application of the MHFCL shall have the feature that only live photograph of the customer is captured and no printed or video-graphed photograph of the customer is captured. The background behind the customer while capturing live photograph should be of white colour where possible and no other person shall come into the frame while capturing the live photograph of the customer.
- F. Similarly, the live photograph of the original OVD or proof of possession of Aadhaar where offline verification cannot be carried out (placed horizontally), shall be captured vertically from above and water-marking in readable form as mentioned above shall be done. No skew or tilt in the mobile device shall be there while capturing the live photograph of the original documents.
- G. The live photograph of the customer and his original documents shall be captured in proper light so that they are clearly readable and identifiable.
- H. Thereafter, all the entries in the CAF shall be filled as per the documents and information furnished by the customer. In those documents where Quick Response (QR) code is available, such details can be auto-populated by scanning the QR code instead of manual filing the details. For example, in case of physical Aadhaar/e- Aadhaar downloaded from UIDAI where QR code is available, the details like name, gender, date of birth and address can be auto-

populated by scanning the QR available on Aadhaar/e-Aadhaar.

- I. Once the above mentioned process is completed, a One Time Password (OTP) message containing the text that 'Please verify the details filled in form before sharing OTP' shall be sent to customer's own mobile number. Upon successful validation of the OTP, it will be treated as customer signature on CAF. However, if the customer does not have his/her own mobile number, then mobile number of his/her family/relatives/known persons may be used for this purpose and be clearly mentioned in CAF. In any case, the mobile number of authorized officer registered with MHFCL shall not be used for customer signature. MHFCL must check that the mobile number used in customer signature shall not be the mobile number of the authorized officer.
- J. The authorized officer shall provide a declaration about the capturing of the live photograph of customer and the original document
- K. Subsequent to all these activities, the Application shall give information about the completion of the process and submission of activation request to activation officer of MHFCL, and also generate the transaction-id/reference-id number of the process. The authorized officer shall intimate the details regarding transaction-id/reference-id number to customer for future reference.
- L. The authorized officer of MHFCL shall check and verify that:- (i) information available in the picture of document is matching with the information entered by authorized officer in CAF. (ii) live photograph of the customer matches with the photo available in the document.; and (iii) all of the necessary details in CAF including mandatory field are filled properly.;

Annex II – Risk Categories

	Low Risk Customer	Medium Risk Customer	High Risk Customer
Definition	<p>(a) Customers like Salaried people–</p> <p>(b) Customer like Self-employed people belonging to lower economic strata of the society whose accounts show small balances</p> <p>(c) Wherein only customers basic requirements of verifying the identity and location are to be met.</p>	<p>Customers those are less risky in nature as compare to high risk customers – can be categorised as Medium Risk.</p>	<p>Customers that are likely to pose a higher than average risk may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc.</p>
List of Customers as per Risk category	<p>(a) Salaried employees whose salary structures are well defined,</p> <p>(b) Salaried employees with cash salary structures</p> <p>(c) self-employed People belonging to lower economic strata of the society whose accounts show small balances and low turnover,</p> <p>(d) Government departments & Government owned companies, regulators</p>	<p>(a) Client with over investment of Rs. 50 Lakh where identity and sources of wealth are not supported by public documents like income returns, registered conveyance deeds etc.</p> <p>(b) Clients with sudden spurt in volumes or investment without apparent reasons.</p> <p>(c) Clients who trade in derivatives.</p> <p>(d) Customers having speculative income.</p> <p>(e) Person in business/industry or</p>	<p>(a) Non-resident customers,</p> <p>(b) Trusts, charities, NGOs and organizations receiving donations,</p> <p>(c) Companies having close family shareholding or beneficial ownership,</p> <p>(d) Firms with 'sleeping partners',</p> <p>(e) Politically exposed persons (PEPs) of foreign origin,</p> <p>(f) Non-face to face customers, and</p> <p>(g) Those with dubious</p>

	<p>and statutory bodies, etc.</p> <p>(e) Micro/Small/Medium enterprises filing regular ITR, good banking relationship, existing trade records with any Financial institutions etc.</p>	<p>trading activity where scope or history of unlawful trading / business activity dealings is more, etc.</p>	<p>reputation as per public information available, etc.</p> <p>(h) NPA customers</p>
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Review of the Policy

The Policy is subjected to an annual review by the management and modifications, if any warranted, will be taken up for the approval of the Board. If there are any amendments in the regulations, revision in the policy will be staged for Board's approval immediately, after the amendments are notified by the regulator.

Annexure III: Details of Principal Officer and Designated Director

Document Title	Details of Principal Officer and Designated Director
Type of Document	Annexure to the KYC and AML Policy

Nomination details mentioned below:

Designation	Name	Particular
Designated Director	MR. THOMAS MUTHOOT [MD MUTHOOT HOUSING FINANCE COMPANY LTD.]	Recorded in the minutes of the Board Meeting
Principal Officer	MR. NISHANT KARKALA	Recorded in the minutes of the Board Meeting

Annexure IV: Indicative list of Suspicious Transaction

A. Illustrative list of suspicious transactions pertaining to housing loans:

1. Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
2. Unnecessarily complex client structure.
3. Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear.
4. Customer is reluctant to provide information, data, documents;
5. Submission of false documents, data, purpose of loan, details of accounts;
6. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
7. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
8. 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; Not applicable if the branch in which customer approaches is in the same city or where customer approaches a branch from another city he is acquiring property in such city. i.e. within Geo limits as defined by Company. f. Unable to explain or satisfy the numerous transfers in the statement of account/ multiple accounts;
9. Initial contribution made through unrelated third party accounts without proper justification;
10. 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;
11. Where transactions do not make economic sense;
12. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
13. Encashment of loan amount by opening a fictitious bank account;
14. 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;
15. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase and if transaction is found unreasonable as per market practice;
o. Multiple funding of the same property/dwelling unit;
16. Request for payment made in favour of a third party who has no relation to the transaction;
17. 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.
18. 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;
19. Overpayment of instalments with a request to refund the overpaid amount
20. Investment in real estate at a higher/lower price than expected
21. Client incorporated in countries that permit bearer shares.

B. Illustrative list of suspicious transactions pertaining to builder/project loans:

1. Builder approaching the HFC for a small loan compared to the total cost of the project;
2. Builder is unable to explain the sources of funding for the project;
3. Approvals/sanctions from various authorities are proved to be fake;
4. Management appears to be acting according to instructions of unknown or inappropriate person(s).
5. Employee numbers or structure out of keeping with size or nature of the business (for instance the turnover of a company is unreasonably high considering the number of employees and assets used).
6. Clients with multijurisdictional operations that do not have adequate centralised corporate oversight.
7. Advice on the setting up of legal arrangements, which may be used to obscure ownership or real economic purpose (including setting up of trusts, companies or change of name/ corporate seat or other complex group structures).
8. Entities with a high level of transactions in cash or readily transferable assets, among which illegitimate funds could be obscured

