

Adani Housing Finance Pvt. Ltd. (AHFPL)

KYC & AML Policy

Version 3.0
Approved on October 28, 2021

Adani Housing Finance Pvt. Ltd.

**KNOW YOUR CUSTOMER [KYC] &
ANTI MONEY LAUNDERING MEASURES**

(As approved by the Board of Directors of the Company)

1. Introduction

Pursuant to the notification issued by the National Housing Bank on Fair Practices Code guidelines vide its notifications/Circular No. NHB (ND)/DRS/Pol-No.13/2006 dated 10th April, 2006, the Board of Directors of the Company in its meeting held on 13th July, 2018 has approved and adopted the *"Know Your Customer:" [KYC] & "Anti Money Laundering Measure"* to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently and prevent HFCs from being used, intentionally or unintentionally, by criminal elements for money laundering activities

As part of the best corporate practices and in line with the amendment in the guidelines issued by the National Housing Bank vide its Circular No.NHB/ND/DRS/Pol. No. 33/2010 -11 dated 11th October, 2010 and Circular No 60/2013-14 dated February 6, 2014, and also its further modification vide Circular No. NHB(ND)/DRS/Policy Circular No.72/2014-15 dated April 23, 2015 Adani Housing Finance Private Limited (AHFPL) has prepared *"Know Your Customer:" [KYC] & "Anti Money Laundering Measure"*.

Further, since when the Reserve Bank of India ("RBI") has become the Regulator of Housing Finance Companies, consequently the Housing Finance Companies are required to align its Policies and Procedures with the Regulations/ Directions/Guidelines issued by RBI.

The present review of this Policy takes into account the repealment of the aforesaid NHB Directions /Notifications /Pol Circulars etc., and their substitution by the notifications/circulars issued by the RBI under Housing Finance Companies (RBI) Directions 2021.

As per RBI Master Direction on KYC, AHFPL is required to have its KYC policy for its lending / credit operations / financial dealings in line with extant guidelines framed therein. This KYC policy is framed keeping in mind the same. The policy has the following four key elements:

- (i) Customer Acceptance Policy;
- (ii) Customer Identification Procedures;
- (iii) Monitoring of Transactions; and
- (iv) Risk management.

2. POLICY FUNDAMENTALS

Definitions

- i. **"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.
- ii. **"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.
- iii. **"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.
- iv. **Customer**

For the purpose of KYC Guidelines, a "customer" is defined as:

- 1. A person or entity that maintains an account and/or has a business relationship with the Company including customers associated with the selling/marketing of permitted insurance business of the HFC.
- 2. One on whose behalf the account is maintained (i.e. the beneficial owner);
- 3. Beneficiaries of transactions conducted by professional intermediaries such as Stock Brokers, Company Secretaries, Chartered Accountants, Solicitors etc. as permitted under the law, and

4. Any person or entity connected with a financial transaction which can pose significant reputation or other risks to the Company, say a wire transfer or issue of a high value demand draft as a single transaction.
- v. **"Designated Director"** means a person designated by the AHFPL to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules.
- vi. **"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).
- vii. **"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.
- viii. **"Know Your Client (KYC) Identifier"** means the unique number or code assigned to a customer by the Central KYC Records Registry.
- ix. **"Offline verification"**
Means the process of verifying the identity of the **Aadhaar number holder** without authentication, through such offline modes as may be specified by regulations.

3. Customer Acceptance Policy (CAP) and Customer Due Diligence (CDD)

3.1 The Customer Acceptance Policy will ensure the following aspects of customer relationship:

- (i) No account is opened in anonymous or fictitious/benami name(s);
- (ii) Risk in terms of the location of customer and his clients and mode of payments are duly checked;
 - volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk
 - customers requiring very high level of monitoring, e.g. Politically Exposed Persons will be given due consideration and would be dealt with enhanced CDD procedures.
- (iii) Documentation requirements and other information will be collected in respect of different categories of customers depending

- on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the PML Act, 2002 and RBI/NHB regulations in this regard.
- (iv) Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures, i.e. the Company is unable to verify the identify and /or obtain documents required as per the risk categorization due to non-co-operation of the customer or non-reliability of the data/information furnished to the Company.
 - (v) As per the guidelines issued by the NHB vide its Circular NHB(ND)/DRS/Policy Circular No.72/2014-15 dated April 23,2015, which stands repealed and substituted by the Notification/Circular issued by Reserve Bank of India under Housing Finance Companies (RBI) Directions 2021, the Company is in the process of implementing the e-KYC verification service. The e-KYC verification service is a valid process for KYC Verification under the Prevention of Money Laundering (Maintenance of Records) Rules, 2005. On implementation of the said service, the Company shall explain the procedural formalities and provide necessary clarifications sought by customers pertaining to e-KYC.
 - (vi) For existing customers who wish to preclose their loan account with AHFPL following will be collected:
 - (a) Permanent Address proof (As per Annexure I)
 - (b) A declaration from the customer regarding source of funds being used for pre-closure of the loan account.
 - (c) Closure of the loan account authority will be restricted to authorized person at the branch.
 - (vii) In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
 - a) if applicant is NRI/PIO
 - b) if applicant is a limited company.
 - c) if applicant is a partnership firm
 - d) any other circumstance where it is not possible for the applicant to be present at the branch location physically available.
 - (viii) Necessary checks before any loan disbursement will be carried out through website of RBI or through any other concerned agency, so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.
 - (ix) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.

- (x) 'Optional'/additional information, is obtained with the explicit consent of the customer after the account is opened.
- (xi) The Company shall apply the CDD procedure at the Unique Customer Identification Code (UCIC) level. Thus, if an existing KYC compliant customer of a RE desires to open another account with the same RE, there shall be no need for a fresh CDD exercise.
- (xii) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- (xiii) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority/NSDL.
- (xiv) Where an equivalent e-document is obtained from the customer, AHFPL shall verify the digital signature as per the provisions of the Information Technology Act, 2000.

Customer Acceptance Policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

3.2 The Company will prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy and as per credit risk policy and operations manual. The customer profile will contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients' business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by the Company. At the time of credit appraisal of the applicant the details are recorded along with his profile based on meeting with the applicant apart from collection of applicable documents; this will be as per our credit and product norms which are incorporated in the operation manual and are in practice. However, while preparing customer profile, the Company will seek only such information from the customer which is relevant to the risk category and is not intrusive.

The information with respect to the customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes against monetary consideration. The Company will continue to share our customer's credit information client data with all Credit Information Companies in the in the manner as prescribed for individual and non-individual entities and also other regulatory /investigating agencies as required for other than marketing or selling activities, with the purpose of sharing this information is to ensure risk minimization.

3.3 The Company shall ensure that, in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, the Company does not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having terrorist links, which are approved by and periodically circulated by the United Nations Security Council (UNSC) and whose names appears in the sanctions lists circulated by Reserve Bank of India.

The Company may ensure the aforesaid, verifying the name of person or entity through the website of the concerned entity or through the service provider, who provide the said service of third party verification, in compliance applicable provisions/guideline of Reserve Bank of India/National Housing Bank, the Prevention of Money Laundering Act and rules made thereunder in this regard.

Details of accounts/ customers bearing resemblance with any of the individuals/ entities in the list, shall be treated as suspicious and reported to the FIU-IND, apart from advising Ministry of Home Affairs as required under UAPA notification.

The Credit Head, will be responsible to ensure that, the name of Borrower is not reflecting in the aforesaid list.

3.4 Customer Due Diligence (CDD) Procedure

Depending on type of customers (individual and non-individual entities including proprietary firm), the Company will obtain certified Officially Valid Documents (OVD)/ KYC documents (As given in Annexure I) in accordance with the regulatory requirements to verify the customer's identity, beneficial owner and location along with such other documents pertaining to the nature of business or financial status.

If an existing KYC compliant customer of the Company desires to open another account with it, there shall be no need for a fresh CDD exercise provided there is no change in details last provided under the Company's KYC norms.

KYC verification once done by one branch/office of the Company shall be valid for transfer of the account to any other branch/office of it, provided full KYC verification has already been done for the concerned account and the same is not due for periodic updation and a self-declaration from the account holder about his/her current address is obtained in such cases.

3.5. CDD Procedure in Case of Individuals

The Company will obtain the following documents from an individual while establishing an account-based relationship:

- (a) the Aadhaar number where,
 - (i) customer 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 AHFPL, as per 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;

Permanent Address proof from new applicants will be collected. The documents which can be accepted as proof of address are mentioned in Annexure I. Aadhaar letter issued by Unique Identification Authority of India also be accepted as the document for address proof. If the address provided by the customer is same on the document submitted for identity proof, the document be accepted as proof of both identity and address.

- (b) Certified copy of Permanent Account Number (PAN). If PAN is not available then Form No. 60 as defined in Income-tax Rules, 1962 should be taken.
- (c) One recent photograph

Provided where the customer has submitted :-

- i) Aadhaar number under clause (a) above to AHFPL under first proviso to sub-section (1) of section 11A of the PML Act, AHFPL 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/she may give a self-declaration to that effect to AHFPL.
- ii) 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, AHFPL 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 AHFPL and such exception handling shall also be a part of the concurrent/internal audit as mandated in Section 8. AHFPL shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the AHFPL and shall be available for supervisory review.

Explanation 1: AHFPL 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: Biometric based e-KYC authentication can be done by AHFPL official/business correspondents/business facilitators.

Explanation 3: 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.

E-statement /document of PAN and /OVDs may also be taken instead of physical copy. They are provided by the customer thru digi-locker and are digitally signed by the competent authority.

Aadhaar Offline Verification- The Company, being a non-bank, may carry out offline verification of a customer if he is desirous of undergoing Aadhaar offline verification for identification purpose. However, where its customer submits his Aadhaar number, the Company will ensure such customer to redact or blackout his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required under section 7 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act.

Authentication using e-KYC authentication facility provided by the UIDAI- As and when the Company is authorized to conduct authorization through

e-KYC authentication facility provided by the UIDAI, it may conduct such authorization and use the e-KYC facility in accordance with the conditions prescribed under the PMLA/ the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act/ the regulatory requirements and other Notification/Circular issued by Regulatory or Statutory Authority.

CDD through Video based Customer Identification Process (V-CIP):

A method of customer identification by an official of AHFPL 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.

The entire data and recordings of V-CIP shall be stored in a system / systems located in India. AHFPL shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp that affords easy historical data search. The extant instructions on record management, as stipulated in the RBI Master Direction on KYC, shall also be applicable for V-CIP.

The activity log along with the credentials of the official performing the V-CIP shall be preserved.

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.

The Company to comply the applicable provisions of **RBI** Master Direction-Know Your Customer (KYC) Directions, 2016 w.r.t. V-CIP.

The detailed procedure for Digital KYC is annexed as Annexure-IV.

CDD through Digital KYC

AHFPL can undertake the Digital KYC process for CDD in which live photo of the customer will be captured and officially valid document or the proof of possession of Aadhaar to be taken, 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 AHFPL, as per the provisions contained in the Prevention of Money Laundering Act, 2002 and the rules made thereunder read with RBI Directions. The detailed procedure for Digital KYC is annexed as Annexure-V.

The Company can apply for getting licence of KYC User Agency (KUA) or Sub KUA to e-KYC Authentication as per the applicable Notification, Circular and Guidelines issued by RBI, UIDAI and other Regulatory or Statutory Authority.

4. Customer Identification Procedure (CIP)

1. Customer identification means identifying the customer and verifying his/ her / its identity by using reliable, independent source documents, data or information while establishing a relationship. The Company will obtain sufficient information such as Voter ID card, PAN number, Passport, Aadhaar Card or Proof of Possession of Aadhaar etc. necessary to establish, to our satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship.

It will be ensured that due diligence is observed based on the risk profile of the customer in compliance with the extant guidelines in place and the same will be available for verification. Besides risk perception, the nature of information/ documents required will also depend on the type of customer (individual, corporate etc). For customers that are natural persons, The Company has to obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. The Company collects identity proof, bank account details and property documents and AHFPL has empanelled FI agencies who independently verify the applicant's occupation, residence and documents as applicable.

The Company shall undertake identification of Customers in the Following cases:

- (i) Commencement of an account-based relationship with the customer.

For customers that are legal persons or entities, the Company will:

- (i) verify the legal status of the legal person/ entity through proper and relevant documents.
- (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person and

For (i) & (ii) Memorandum of Association and board resolution will be collected to ensure that the person purporting to act on behalf of the legal person/entity is authorized to do so, apart from applicable field/document investigations. In case of partnership firm, a copy of partnership deed alongwith the registration certificate of the firm, if registered and power of attorney in favour of the person purporting to act on behalf of the firm shall be collected

In order to authenticate the identity of the person so purporting to represent the Company / Firm, Signature verification / attestation shall be done either from the Banker or copy of passport, driving license or pan card to be taken.

- (iii) Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. For this The Company will collect Shareholding letter duly certified by the Company Secretary/company's Auditor/Chartered accountant and Necessary Resolution / authorisation etc.

2. Due diligence for High risk customer identification will be as follows:

- (a) Non-resident customers , due diligence including email verification of employment of the customer, collection of a local guarantor & power of attorney alongwith their identification proofs and verification of their residence/office will be done, if found necessary.
- (b) High net worth individuals , with less than three years occupational track record due diligence including personal discussion with the applicant, analysis of bank statement and financial statements will be done, details of client profile, sources of fund will be obtained, if required.
- (c) Trusts, charities, NGOs and organizations receiving donations, as and when such cases are received due diligence to be undertaken as for other cases in the high risk categories.
- (d) Companies having close family shareholding or beneficial ownership, due diligence including personal discussion with the applicant will be done. In case of company's proportionate income being considered to the extent of the customer's Shareholding in

the company- board resolution authorising the director(s) to sign on behalf of the company will be collected. Also signature verification of the person(s) issuing the board resolution will be collected, if necessary.

- (e) Firms with 'sleeping partners' , due diligence including personal discussion with the applicant will be done. If income of the partnership firm is being considered then The Company will collect a letter signed by all the partners authorising the concerned partner(s) to sign on behalf of the partnership to be continued. Also signature verification of the person(s) issuing this authority letter will be collected, if necessary.
- (f) Politically exposed persons (PEPs) of foreign origin, same due diligence as NRI/PIO to be undertaken, though the Company is not doing cases of applicants of foreign origin. Only cases of applicants of Indian Origin working abroad are done.
- (g) Non-face to face customers, due diligence including telephonic/personal discussions be done, if required. Information from reliable sources will be obtained for establishing the existence of the person.
- (h) Those with dubious reputation as per public information available, etc. If found dubious then the case will not be entertained.

On-going Due Diligence

The Company 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.

Without prejudice to the generality of factors that call for close monitoring following types of transactions shall necessarily be monitored:

- a) Large and complex transactions including RTGS transactions, and those with unusual patterns, inconsistent with the normal and expected activity of the customer, which have no apparent economic rationale or legitimate purpose.
- b) Transactions which exceed the thresholds prescribed for specific categories of accounts.
- c) High account turnover inconsistent with the size of the balance maintained.

d) Deposit of third party cheques, drafts, etc. in the existing and newly opened accounts followed by cash withdrawals for large amounts.

The extent of monitoring shall be aligned with the risk category of the customer.

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

(a) 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.

(b) The transactions in accounts of marketing firms, especially accounts of Multilevel Marketing (MLM) Companies shall be closely monitored.

Cases where a large number of cheque books are sought by the company and/or multiple small deposits (generally in cash) across the country in one bank account and/or where a large number of cheques are issued bearing similar amounts/dates, shall be immediately reported to appropriate authorities such as FIU-IND.

3. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given below:

(a) Trust Nominee or Fiduciary Accounts:

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Hence, as and when such cases are received, the Company will determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company 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. In the case of a 'foundation', steps will be taken to verify the founder managers/directors and the beneficiaries, if defined.

(b) Accounts of companies and firms

The Company will be careful while processing the cases of business entities especially to establish that individuals are not using those entities for maintaining accounts with it. The Company

shall seek information, if required, on the control structure of the entity, source of funds and the natural persons who carry a controlling interest in the management. These requirements may be moderated as per our credit risk policy and guidelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.

(c) Client accounts opened by professional intermediaries

When the Company has knowledge or reason to believe that the client account opened by a professional intermediary like Direct Selling Agent or Direct selling team or any other sales intermediary by whatever name called is on behalf of a single client, that client will be identified. Where the Company relies on the 'customer due diligence' (CDD) done by an intermediary like Field investigation agency or technical agency or lawyer or any other operation processing intermediary by whatever name called, the Company will ensure that the intermediary is having a bonafide identity with an established track record.

(d) Accounts of Politically Exposed Persons (PEPs) resident outside India

Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The Company will gather sufficient information as available on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. The Company will verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The above norms may also be applied to the accounts of the family members or close relatives of PEPs

(e) Accounts of non-face-to face customers:

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, The Company will do telephonic/personal discussion with the applicant, if necessary. Applicant will be met by the Sales representative of the Company

and will fill up the meeting sheet on that basis to mitigate the higher risk involved, as applicable. Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for and applicable verification of these documents will be done. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company may have to rely on third party certification/introduction. In such cases, it will be ensured that generally the third party is a regulated and/or supervised entity with an established track record. Hence apart from the existing due diligence for such customers The Company may take resident Indian Co-applicant as a party to the loan proposal or a local resident guarantor to the loan with identity verification.

An indicative list of the nature and type of documents that may be relied upon for customer identification is given in the **Annexure I**.

5. Monitoring of Transactions

- (a) Ongoing monitoring is an essential element of effective KYC procedures. Since The Company is a housing finance company and all our loans are tenure based with a fixed/variable installment paid through electronic clearing system (ECS) mandate or postdated cheques our monitoring structure will be relevant to our nature of operations. The Company will pay special attention to all unusually large transactions involving large cash and The Company has introduced cash transaction reporting system above Rupees ten lacs. Risk categorization as is mentioned in this policy may be updated as and when required by the management. In case of overdue/default accounts where there is scope for meeting or vetting the profile of this customer again, due diligence if found necessary will be carried out. Subsequent to our sanction, during the period of part disbursement till full disbursement if any unusual transaction/development comes to our knowledge relating to money laundering the same will be verified and notified as required, The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company will ensure that transactions of suspicious nature as defined in Annexure II and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the

appropriate law enforcement authority, as and when detected by our officials through the Principal Officer.

- (b) The Company will maintain proper record in accordance with the PML Act, 2002, of all cash transactions (deposits and withdrawals) of Rupees Ten Lakh and above. As a matter of policy, the Company does not accept deposits in cash over Rupees Ten, Lakh. No loan is disbursed in cash and No monthly installment above Rupees Ten Lakh is accepted in cash. Any transactions of suspicious nature as per **Annexure II** are to be reported to the Principal Officer immediately. In addition thereto, the Branches shall on monthly basis furnish a certificate to the Principal Officer evidencing that neither such prohibited transactions and/nor cash transaction as specified in the policy have taken place.

6. Risk Management

- A. As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories:-
- (i) *Low risk customers* for the purpose of this policy will be individuals and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile. Illustrative examples of low risk customers could be :
- (a) Salaried applicants with salary paid by cheque or Bank Account Transfer through online mode.
 - (b) People belonging to government departments,
 - (c) People working with government owned companies, regulators and statutory bodies etc.
 - (d) People belonging to lower economic strata of the society whose accounts show small balances and low turnover
 - (e) People working with Public Sector Units
 - (f) People working with reputed Public Limited companies & Multinational Companies.

- (ii) **Medium Risk customers** would include :
- (a) Salaried applicants with variable income/unstructured income receiving salary in cheque or Bank Account Transfer through online mode.
 - (b) Salaried applicants working with Private limited companies.
 - (c) Self Employed professionals other than HNIs
 - (d) Self Employed customers with sound business and profitable track record for a reasonable period
 - (e) High Net worth Individuals with occupational track record of more than 3 years.
- (iii) **High risk customers** that are likely to pose a higher than average risk to us may be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per our credit risk policy and guidelines of operations manual. Examples of high risk customers requiring higher due diligence may include:
- (a) Non-resident customers,
 - (b) High net worth individuals, without an occupational track record of more than 3 years.
 - (c) Trusts, charities, NGOs and organizations receiving donations.
 - (d) Companies having close family shareholding or beneficial ownership,
 - (e) Firms with 'sleeping partners'
 - (f) Politically exposed persons (PEPs) of foreign origin,
 - (g) Non-face to face customers (Other than Customer whose CDD is done through e-KYC or Video Based Customer Identification Process)
 - (h) Those with dubious reputation as per available public information, etc
 - (i) Customers who are close relatives of politically exposed persons (PEPs) and accounts where the PEP is the ultimate beneficial owner.

Our exposure to any of our clients is subject to our credit risk policy and operations manual of the company. However, for customer acceptance, KYC is a prerequisite for a credit risk grading.

B. Other Measures for Risk Management:

(a) Internal Audit :

The Company's internal audit/ Credit department will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Internal Auditors may specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board along with their normal reporting frequency. A compliance conformation from Branch will be obtained by the Principal Officer.

(b) Employee Training :

The Company will have an ongoing employee training program so that the members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.

(c) Customer Education :

The Company will educate the customer on the objectives of the KYC programme so that customer understands and appreciates the motive and purpose of collecting such information.

(d) Introduction of New Technologies:

The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that may favour anonymity, and take measures, if needed, to prevent their use in money laundering schemes as and when online transactions are started /accepted by the Company.

(e) Non-Cooperation by the customer in respect of KYC norms:

Where The Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, The Company will follow up with the existing identified customers for KYC compliance, Closure decision if at all is required will depend upon our internal assessment and will be taken at a Senior Level of Zonal Heads/ VP and above only after issuing due notice to the customer explaining the reasons for taking such a decision.

(f) Applicability to branches and subsidiaries outside India

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

(g) Appointment of Principal Officer :

Board of Director of the Company will appoint the Principal Officer of the Company. Principal Officer is located at our Corporate Office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, HFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism. He will also ensure that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines **(refer annexure III)**. However, any such action has to be documented and placed before the management committee of the company. Principal Officer will also report any unusual matter/information to the management committee of the company as and when it occurs.

(h) Maintenance of Records of Transactions (As per Rule 3 of the Prevention of Money Laundering Rules 2005) :

The Company will maintain proper record of the under mentioned transactions:

- (i) All cash transactions of the value of more than rupees ten lac or its equivalent in foreign currency, though by policy The Company do not accept cash deposits in foreign currency.
- (ii) All series of cash transactions integrally connected to each other which have been valued below rupees ten lac or its equivalent in foreign currency where such series of transactions have taken place within a month.
- (iii) 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; any such transactions
- (iv) All suspicious transactions as mentioned in Annexure II

(i) Information to be preserved :

The Company will maintain the following information in respect of transactions referred to in the preceding point on "Maintenance of records of transactions"

- (a) The nature of the transactions
- (b) The amount of transactions and currency in which it was denominated
- (c) The date on which the transaction was conducted and
- (d) Parties to the transactions

- (j)** The Company sanctions and disburses files on the system; hence it has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required. However, the Company will maintain account information for at least ten years from the date of cessation of transaction between the company and the client, all necessary records of transactions, both domestic or international, which will make available individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

The Company will ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. Apart from this, the

application form, copy of loan agreement, NOC, other document either photocopy or cancelled original copy will be kept for next ten years after the full closure of the account. However, preservation and maintenance of the documents will be in paper form and a soft copy.

The identification of records and transaction data will be made available to the competent authorities upon request only through the principal officer under this policy with his approval.

(I) Reporting to Financial Intelligence Unit – India

The Principal officer will report information relating to cash and suspicious transactions if detected, to the Director, Financial Intelligence Unit-India (FIU-IND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by NHB at the following address:

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

7. Miscellaneous

Compliance under Foreign Contribution (Regulation) Act, 1976

The Company shall also ensure that provisions of the Foreign Contribution (Regulation) Act (FCRA), 1976 are duly adhered to. FCRA regulate the acceptance and utilization of foreign contribution or foreign hospitality received by certain specified persons or associations such as candidates for election, journalist, Judges/Government servants, political party, etc.

However, law permits certain persons or associations to accept the foreign contribution with the approval of the Central Government, as per the provisions of FCRA. In those cases, copy of approval or letter of intimation shall be taken from the customer.

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) The Company shall carry out:
 - i. PAN verification from the verification facility available with the issuing authority and
 - ii. Authentication, of Aadhaar Number already available with the 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) Company 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) The Company 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.

Annexure I

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

Features	Documents (Certified Copy)
<p>Individuals</p> <p>Legal name and any other names used</p>	<p>(i) Aadhaar number where: (a) 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 (b) he decides to submit his Aadhaar number voluntarily to AHFPL, if permitted under first proviso to sub-section (1) of section 11A of the PML Act; or (ii) the proof of possession of Aadhaar number where offline verification can be carried out or any other OVD or the equivalent e-document thereof containing the details of his identity and address. or (j) Passport or (k) Driving Licence or (l) Voter's Identity Card or (m) Aadhaar Card (redact or blackout Aadhaar number) and (n) Pan Card or Form 60 and/or (o) Identity Card (subject to the Company's satisfaction). and/or (p) Letter from a recognized public authority or public servant verifying the identity and residence of the</p>

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	customer to the satisfaction of the Company
Correct permanent address	<ul style="list-style-type: none"> (i) Telephone bill (ii) Account Statement (iii) Letter from any recognized public authority. (iv) Electricity bill (v) Ration Card (vi) Letter from employer (subject to the satisfaction of the Company. (vii) (any one document which provides customer information to the satisfaction of the Company will suffice)
Sole Proprietary	<ul style="list-style-type: none"> (i) Aadhar OR Enrolment No (ii) Pan card OR Form 60 (Mandatory) <p>“Officially Valid Documents”</p> <ul style="list-style-type: none"> i) Passport ii) Voter’s Identity Card iii) Driving License iv) NREGA Job Card <p>Any one document as a proof of business/ activity in the name of the proprietary firm</p> <ul style="list-style-type: none"> (a) Registration certificate (b) Certificate / license 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/ License/certificate (g) Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm’s income is reflected, duly

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	<p>authenticated/acknowledged by the Income Tax authorities.</p> <p>(h) Utility bills such as electricity, water, and landline telephone bills.</p>
<p>Companies</p> <ul style="list-style-type: none"> - Name of the company - Principal place of business - Mailing address of the company - Telephone/Fax Number 	<ul style="list-style-type: none"> (i) Certificate of Incorporation (ii) Memorandum & Articles of Association (iii) Permanent Account Number of the company. (iv) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account. (v) Power of Attorney granted to its managers, officers or employees to transact business on its behalf (vi) one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Number or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
<p>Partnership Firms</p> <ul style="list-style-type: none"> - Legal name - Address - Names of all partners and their addresses- -Telephone numbers of the firm and partners 	<ul style="list-style-type: none"> (i) Registration certificate, if registered (ii) Partnership deed (iii) Permanent Account Number of the partnership firm (iv) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (v) one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Number or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.

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<p>Trusts & Foundations</p> <ul style="list-style-type: none"> - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers/directors and the beneficiaries Telephone/fax numbers 	<ul style="list-style-type: none"> (i) Certificate of registration, if registered (ii) Power of Attorney granted to transact business on its behalf (iii) one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Number or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf. (iv) Resolution of the managing body of the foundation/association (v) Permanent Account Number or Form 60 of the trust (vi) Trust Deed
<p>Unincorporated Association or a Body of Individuals</p>	<p>Certified Copies of each of the following:</p> <ul style="list-style-type: none"> (a) resolution of the managing body of such association or body of individuals; (b) Permanent Account Number or Form 60 of the Unincorporated Association or a Body of Individuals (c) power of attorney granted to transact on its behalf; (d) one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Number or Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf. (e) such information as may be required by the Company to collectively establish the legal existence of such an association or body of individuals

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Juridical Persons (Government or its Departments, societies, universities and local bodies like village panchayats)	Certified Copies of each of the following: (a) Document showing name of the person authorised to act on behalf of the entity; (b) Aadhaar/ PAN/ Officially valid documents for proof of identity and address in respect of the person holding an attorney to transact on its behalf and (c) Such documents as may be required by the Company to establish the legal existence of such an entity/juridical person.
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Notes:

- a. "Officially valid document" (OVD) means the passport, the driving licence, the Permanent Account Number (PAN) Card, 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, letter issued by the Unique Identification Authority of India containing details of name, address and Aadhaar number and other OVD as mentioned in Annexure I, above or any equivalent e-document thereof.
- b. Obtaining a certified copy means comparing the copy of OVD so produced by the customer with the original and recording the same on the copy by the authorized officer of the Company.

Further, with respect to Aadhaar, Obtaining a certified copy means, 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 AHFPL as per the provisions contained in the Act.

- c. The submission of Aadhaar is mandatory only when the customer is desirous of receiving any benefit or subsidy under any scheme notified under Section 7 of the Aadhaar Act otherwise Aadhaar is not mandatory and the Company not to insist for the same. However, the individual, if so desires, may provide the same out of volition. The customer, at their option, shall submit one of the OVDs.
- d. Where the customer is submitting Aadhaar, the Company shall be guided by the directions issued by the Unique Identification Authority of India and Reserve Bank of India from time to time.

- e. In case 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. 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 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.

- f. A customer already having an account based relations with the Company, 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.
- g. If a customer having an existing account based relationship with the Company 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 the Company shall be closed and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer.

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.

Note- 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 the company.

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.

- 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 incorporated association or body of individuals.

Note: 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 any other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

Annexure II

LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING LOANS:

- a. Customer is reluctant to provide information, data, documents;
- b. Submission of false documents, data, purpose of loan, details of accounts;
- c. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc;
- d. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- e. Approaches a branch/office of a HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/office nearer to the given address;
- f. Unable to explain or satisfy the numerous transfers in the statement of account/ multiple accounts;
- g. Initial contribution made through unrelated third party accounts without proper justification;
- h. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- i. Suggesting dubious means for the sanction of loan;
- j. Where transactions do not make economic sense;
- k. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- l. Encashment of loan amount by opening a fictitious bank account;
- m. Applying for a loan knowing fully well that the property/dwelling unit to be financed has been funded earlier and that the same is outstanding;
- n. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- o. Multiple funding of the same property/dwelling unit;
- p. Request for payment made in favour of a third party who has no relation to the transaction;
- q. Usage of loan amount by the customer in connivance with the vendor/builder/developer/broker/agent etc. and using the same for a purpose other than what has been stipulated.
- r. Multiple funding / financing involving NGO / Charitable Organization / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- s. Frequent requests for change of address;
- t. Overpayment of installments with a request to refund the overpaid amount.

The Branch Manager to report the Cash Transactions [Rs.10 lakhs and above or its equivalent in foreign currency in one transaction or series of related transaction in any account(s)] and Suspicious Transaction, to the Company Secretary & Compliance Officer of the Company, promptly upon detecting the same, as per the PMLA Act and the rules made thereunder.

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The Company to place the details of Cash Transactions and Suspicious, as above before the Audit Committee/Board of Director, on periodically basis, as per the applicable provisions of Act and the Rules and the Board of Directors to ensure the compliance of the same.

Annexure III

POLICY ON STAFF ACCOUNTABILITY

Good governance is an integral part and parcel of the existence of a Company in today's era of stakeholder engagement. Transparent procedures need to be adopted so as to ensure timely redressal of concerns of the Directors and the employees.

A Company's internal control and operating procedures are intended to detect and prevent improper activities. However achieving complete safety against irregularities may not be possible. The Company proposes to provide the directors and employees with a sense of ownership and interest alongside smooth functioning and growth.

Thus the Company intends to formulate and establish a Staff Accountability Framework for providing adequate safeguards to the employees and directors from victimization or reprisals.

1. OBJECTIVE

The aim of an organization in conducting the exercise of staff accountability should be to safeguard the larger interest of the organization by ensuring that the organization's business is conducted in accordance with the laid down rules and procedures and without jeopardizing its interest. However, if the evaluation of accountability is not done objectively keeping the above goal in mind, it would lead to highly distorted perceptions among the members of the organization, which would be much more detrimental to the organization than the loss already suffered by it. To that end what is of primary importance is, to identify areas of deficiencies and initiate corrective measures to protect the HFC's interest. Punishing employees for their lapses is of secondary importance.

Discretionary powers have been vested in various functionaries to carry out assigned tasks in fulfillment of organizational goals. It is fundamental and unavoidable that there should be accountability for their action. Thus accountability follows delegation. However, no need of penalty should

arise as long as the actions are within the framework of laid down procedure and the actions are not detrimental to the interest of the organization. At the same time, in any commercial organization risk represents an integral part of its business and HFCs are no exception. Decisions taken on the basis of available data, at the material time, for business development / achievement of corporate objectives always contain an element of risk. Any system set up for the purpose of staff accountability would take these factors into account and has necessarily to be transparent and objective.

2. COVERAGE

i. Applies to Whom?

This Staff Accountability Framework is applicable to all employees of the Company.

ii. Acts of Wrongdoings as illustrated below may also include but not necessarily be limited to:

- Forgery or alteration of documents
- Misbehavior with customer
- Delay in resolving customer related compliant
- Unauthorized alteration or manipulation of files
- Fraudulent financial reporting
- Pursuit of a benefit or advantage in violation of the company's interest
- Misappropriation/misuse of Company's resources, like funds, supplies, or other assets including business assets
- Authorizing/receiving compensation for goods not received/services not performed
- Authorizing or receiving compensation for hours not worked
- Improper use of authority for personal gain
- Unauthorized commissions
- Giving and taking bribes
- Theft of Cash/Assets
- Theft of Goods/Services
- Unauthorized Discounts/approvals/sanctions/ guarantee/ assurance including to clients/ inventors
- Falsification/Destruction of Company Records
- Fraudulent Insurance Claims
- Work Place Harassment

i) The Staff accountability will not be undertaken based on anonymous/pseudonymous complaints.

3. APPROACH

The approach to be followed while examining staff accountability will be based on the following guidelines:

- i) What was/were the cause/causes that led to loss or likely loss to the HFC?
- ii) Whether the loss or likely loss to the HFC was caused due to any negligence / omission / commission on the part of the staff or was it due to reasons beyond their control.
- iii) The basic criteria are to find out whether non-compliance with instructions / systems/ procedures is observed.
 - a) What was the nature of negligence?
 - b) What were they supposed to do which they did not do?
 - c) What did they do which they were not supposed to do?
- iv) It will be critically examined whether the loss would have been avoided had the above- mentioned omission/commission not occurred.
- v) Staff accountability report will specify whether the action on part of official was bonafide /malafide and whether there was any gain to the official himself or somebody else through his actions.
- vi) The report will comment upon the extenuating/ accentuating circumstances under which the official / staff was working at the material time.
- vii) The report needs to cover the details of efforts made for regularization / recovery and quantification of recovery made.

4. AUTHORITY:

Officer Authorized - The Compliance officer of AHFPL will act as an Ombudsman.

Responsibilities of Ombudsman

- Receiving and acknowledging complaints
- Sorting / Screening / Short listing

- Interim communication to Audit Committee/Managing Director / Whole-time Director/
- Whistle Blower Investigation Committee
- Investigation through appropriate delegation / agencies
- Recommend course of action based on investigation to management
- Prevention of harassment to and redressal of complaints of Vigilant Person/Whistleblower/Tipster
- Ensuring safety of the Vigilant Person from being persecuted within the organization
- Any other related responsibility as decided by the management
- The decision on the course of action on the whistleblower's complaint as taken by the Ombudsman will be final.

Meetings and Records

The Ombudsman will maintain its records such as Agenda, Minutes of the Meeting, Complaint Reports and Action initiated etc.

5. PROCEDURE

- a) The report shall be submitted to the controlling authority, who in turn shall put up to the approving authority i.e. the next higher authority along with his comments. Approving authority will decide as to the need for further investigation.
- b) If the authority that is approving the staff accountability report is of the view that lapses like gross negligence or malafide may have contributed to the asset slippage, he may arrange to advise the appropriate authority to investigate the matter further.
- c) The authority approving the Staff accountability report will keep a record of findings with respective functional team and with Compliance officer.

6. VIGILANCE:

In Housing finance Industry risk-taking forms an integral part of business. Therefore, every loss caused to the organization, either in pecuniary or non-pecuniary terms, need not necessarily become the subject matter of a vigilance inquiry. It would be unfair to use the benefit of hindsight to question the merits of managerial decisions from the vigilance point of view; at the same time it would be unfair to ignore the motivated or reckless decisions of the officials. A distinction is to be made between a business loss, which has arisen as a consequence of a bonafide commercial action, and an

extraordinary loss, which has occurred due to any malafide or motivated or reckless performance of duties.

While the former has to be accepted as a normal part of business and viewed objectively for the purpose of vigilance dimension, the latter has to be viewed adversely and dealt within the framework of disciplinary procedures.

Whether a person of common prudence, working within the ambit of the prescribed rules, regulations and instructions, would have taken the decision in the prevailing circumstances in the commercial interests of the organization is the basic criterion in staff accountability examination. A positive response indicates the existence of bonafide while negative responses indicate the absence of the same.

Annexure – IV Procedure of V-CIP

- A. AHFPL to formulate a clear work flow and standard operating procedure for V-CIP and ensure adherence to it. The V-CIP process shall be operated only by officials of AHFPL specially trained for this purpose. The official should be capable to carry out liveness check and detect any other fraudulent manipulation or suspicious conduct of the customer and act upon it.
- B. If there is a disruption in the V-CIP procedure, the same should be aborted and a fresh session initiated.
- C. The sequence and/or type of questions, including those indicating the liveness of the interaction, during video interactions shall be varied in order to establish that the interactions are real-time and not pre-recorded.
- D. Any prompting, observed at end of customer shall lead to rejection of the account opening process.
- E. The fact of the V-CIP customer being an existing or new customer, or if it relates to a case rejected earlier or if the name appearing in some negative list should be factored in at appropriate stage of work flow.
- F. The authorised official of AHFPL performing the V-CIP shall record audio-video as well as capture photograph of the customer present for identification and obtain the identification information using any one of the following:
 - a) OTP based Aadhaar e-KYC authentication
 - b) Offline Verification of Aadhaar for identification
 - c) KYC records downloaded from CKYCR, in accordance with Section 56, using the KYC identifier provided by the customer
 - d) Equivalent e-document of Officially Valid Documents (OVDs) including documents issued through DigiLocker.

AHFPL shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

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.

Further, in line with the prescribed period of three days for usage of Aadhaar XML file / Aadhaar QR code, AHFPL shall ensure that the video process of the V-CIP is

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undertaken within three days of downloading / obtaining the identification information through CKYCR / Aadhaar authentication / equivalent e-document, if in the rare cases, the entire process cannot be completed at one go or seamlessly. However, AHFPL shall ensure that no incremental risk is added due to this.

- G. If the address of the customer is different from that indicated in the OVD, suitable records of the current address shall be captured, as per the existing requirement. It shall be ensured that the economic and financial profile/information submitted by the customer is also confirmed from the customer undertaking the V-CIP in a suitable manner.
- H. AHFPL 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 including through DigiLocker.
- I. Use of printed copy of equivalent e-document including e-PAN is not valid for the V-CIP.
- J. The authorised official of the AHFPL shall ensure that photograph of the customer in the Aadhaar/OVD and PAN/e-PAN matches with the customer undertaking the V-CIP and the identification details in Aadhaar/OVD and PAN/e-PAN shall match with the details provided by the customer.
- H. Assisted V-CIP shall be permissible when AHFPL take help of Business Correspondent (BC)/Authorised person facilitating the process only at the customer end. AHFPL shall maintain the details of the BC/ Authorised person assisting the customer, where services of BC/ Authorised person are utilized. The ultimate responsibility for customer due diligence will be with the bank.
- I. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process and its acceptability of the outcome.
- J. All matters not specified under the paragraph but required under other statutes such as the Information Technology (IT) Act shall be appropriately complied with by the AHFPL.

Annexure -V Digital KYC Process

- A.** AHFPL to develop an application for digital KYC process which shall be made available at customer touch points for undertaking KYC of the customers and the KYC process shall be undertaken only through this authenticated application of AHFPL.
- B.** The access of the Application shall be controlled by the AHFPL 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 AHFPL to its authorized officials.
- C.** The customer, for the purpose of KYC, shall visit the location of the authorized official of AHFPL or vice-versa. The original OVD shall be in possession of the customer.
- D.** The AHFPL 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 the RE shall put a water-mark in readable form having CAF number, GPS coordinates, authorized official's name, unique employee Code (assigned by REs) and Date (DD:MM:YYYY) and time stamp (HH:MM:SS) on the captured live photograph of the customer.
- E.** The Application of the AHFPL 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 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 AHFPL shall not be used for customer signature. The AHFPL 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. For this purpose, the authorized official shall be verified with One Time Password (OTP) which will be sent to his mobile number registered with the AHFPL. Upon successful OTP validation, it shall be treated as authorized officer's signature on the declaration. The live photograph of the authorized official shall also be captured in this authorized officer's declaration.
- 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 the AHFPL, 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 the AHFPL 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.;

- M.** On Successful verification, the CAF shall be digitally signed by authorized officer of AHFPL who will take a print of CAF, get signatures/thumb-impresion of customer at appropriate place, then scan and upload the same in system. Original hard copy may be returned to the customer.

AHFPL may use the services of Business Correspondent (BC)/Authorised person for this process.
