

National Trust Housing Finance Ltd

Internal Guidelines on Know your customer norms and Anti – Money laundering Policy

1. This guideline is issued for all branches and corporate teams of the company with respect KYC and AML compliance in accordance with the Circular issued by NHB - Circular No. NHB (ND)/DRS/Pol-No.33/2010-11 dated October 11, 2010.
2. This guideline is issued in accordance with the KYC & AML policy initiated by the Board of Directors of the company as a part of its Risk management Functions.
3. The scope of coverage of this guideline extends to all existing and new Accounts of the company.
4. Periodic Employee training programme has to be conducted in KYC & AML procedures.
5. To prepare and circulate specific Literature /Pamphlets to customer with the aim to educate the customers on the objectives of the KYC policy.
6. The Vice President, Finance & Accounts is the Principal Officer at Corporate office vested with authority, to ensure the effective implementation & adherence of Company's Internal Guidelines on KYC and Anti money laundering Policy at Corporate Office and branches through effective Audit measures and inspection. A "Compliance Certificate" would be issued to the Management by the said authority on a monthly basis after carrying out an internal control procedure to ensure adherence.
7. The implementation and adherence to these Guidelines would be test verified by the internal audit team. Observations of the internal audit would be tabled before the Audit Committee on a quarterly basis.

KYC policy contain the following four elements

- a. Customer acceptance policy.
- b. Customer identification procedures
- c. Monitoring of transactions.
- d. Risk management.

Customer is a person defined (i) as a person or entity that maintains an account and /or has a business relationship with NATRUST. (ii) beneficial owner (iii) beneficiaries of transactions conducted by professional intermediaries, such as stock brokers, chartered accountants, Solicitors etc as permitted under the law and (iv) any person or entity connected with a financial transaction which can pose significant reputational or other risks to our company, say wire transfer or issue of a high value of DD as a single transaction.

a) Customer Acceptance Policy Guidelines:

The guidelines / criteria for acceptance of customers shall be based on the following:

- i) No account of a customer is opened in anonymous or fictitious / benami name(s)
- ii) Classification of customers as High (Silver), Medium (Gold) and low (Platinum) Risks with respect to the Risk profile and their clients and monitoring of

transactions in High risk categorized customers like Politically Exposed Persons (PEPs).

- iii) The list of documents to be collected at the time of inward, sanction and disbursement in respect of Individual customers, non-individual customers and NRIs are as per Annexure 1.
 - iv) If the company is unable to verify the identity or the information provided by the customer/s is not reliable or not co-operating in providing the information called for, the company shall not open an account or decide to close the existing account by recall of the loan, after giving due notice in this regard by the Principal Officer, where the company is unable to apply appropriate due diligence measures.
 - v) Under the following circumstances a customer is permitted to act on behalf of another person / entity.
 - a) if the applicant or co-applicant is an NRI, the Power of Attorney can be allowed to sign / represent to execute all transactions, queries , requests regarding the loan.
 - b) The POA has to be legally vetted by our legal team to establish the adequacy of power granted to the POA.
 - c) POA has to be a registered one.
 - vi) An account should not be opened where the identity of the customer is known with criminal background or associated with banned entities such as terrorists or terrorist organizations as may be set out in NHB, Financial Institutions & Bank Circulars that may be issued from time to time. Such a List would be prepared and kept updated by the Principal Officer of the Company and circulated to all concerned at periodic intervals.
1. Information about the customer has to be collected relating to social and financial status, source of income , nature of business and his financials, job security etc to Classify customers as High (Silver), Medium (Gold) and low (Platinum) Risks with respect to the Risk profile.
 2. Customers are classified as Low risk (Platinum) in the case of Salaried class with minimum income level of Rs. 15,000/- pm for rural and Rs. 25,000/- pm for urban category the receipt of which is verifiable through credits into the prospective customer's Bank account.
 3. Customers are graded as medium risk (Gold) in the case of Salaried class getting Cash salary with income of Rs. 8,000/- in Rural and Rs. 10,000/- for others. Cash salary is verified through report received from the employer.
 4. Customers are considered as High Risk (Silver) if they are self employed.
 5. Irrespective of the classification, we should obtain independent verification reports pertaining to his residential & occupational address, income proof, bank account etc, which are positive and authenticate the information provided in the application form.

6. The rural and urban classification mentioned above pertains to the location of the property to be financed.
7. The Company will not extend credit to builders, real estate developers, trust, charities, NGOs and organizations receiving donations, Politically exposed persons (PEPs) of foreign origin; and those with dubious reputation as per available public information.
8. As regards the accounts of Politically Exposed Persons (PEPs) or in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the company will obtain the approval of the MD of our company in such cases to continue the business relationship with such person and also undertake monitoring on a monthly basis to ensure regularity of the account.
9. Our Customer acceptance policy would not deny providing services/loans to the financially or socially disadvantaged public.
10. The customer information shall be kept as confidential and details contained therein shall not be divulged for cross selling or any other purposes.

b) Customer identification procedure:

Company would collect KYC documents specified in the Annexure -1

Customer identification procedure would be carried out at different stages, i.e while establishing a relationship, carrying out a financial transaction or when the company has a doubt about the authenticity / veracity or the adequacy of the previously obtained customer identification data.

Customer identification means identifying the customer and verifying their identity by using reliable, independent source documents, data or information as given in Annexure-1. The information provided in the KYC documents has to be verified by our designated independent verification agency.

c) Monitoring of transactions:

- i. The Principal Officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He shall maintain close liason with enforcement agencies or any other institutions which are involved in the fight against money laundering and combating financing of terrorism. The internal monitoring system should have an inbuilt procedure for reporting of all cash transactions (deposits and withdrawals) of Rs. 10 lakhs and above as also those of suspicious nature.
- ii. To pay attention to the transactions that involve large transactions which exceed these limits; transactions that involve large amounts of cash inconsistent with the normal or expected activity; very high turnover inconsistent with the size of the

balance maintained that may indicate that funds are being 'washed' through the account;

- iii. The enhanced due diligence measures, by way of monthly monitoring, to be applied, taking into account background
- iv. Monitoring of transactions in High risk (Silver) categorized customers to be done.
- v. Customer Accounts having suspicious natured transactions, as per Annexure 2, is to be reported to appropriate law enforcement authority
- vi. As regards the accounts of Politically Exposed Persons (PEPs) it is advised that in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, the company will obtain the senior management approval in such cases to continue the business relationship with such person and also undertake enhanced monitoring as specified as per NHB guidelines.
- vii. To verify the identity of (i) non-account based customer carrying out transaction of an amount equal to or exceeding Rs. 50,000/-whether conducted as a single transaction or several transactions that appear to be connected or any international money transfer operations.

d) Risk management

- i. An effective KYC Training Programme has been instituted and is periodically imparted to all the staff concerned by Human Resources Department of the company, in consultation with Principal Officer, for effective implementation. This training process is an ongoing continuous one.
- ii. Risk Profiles would be reviewed and re-mapped, where ever required, once in six months by the VP – Operations. Revisions to Risk Profiles would be authenticated and the various AML measures to be applied would be recommended by the Principal Officer to the Board of Directors for their approval. The Principal Officer would be responsible to implement all revisions to this Guidelines necessitated by circumstances.
- iii. The Guidelines with respect to KYC are as follows
- iv. All new Customers should provide the KYC documents to comply with this guideline. The Acceptable KYC documents are given in Annexure 1 for individuals and for non Individuals .The Documents collected must establish the customer's identification without any reasonable doubt with respect to Identity, Address/location and signature.
- v. KYC norms should be complied with by Applicant, Co-applicant and Guarantor/s.
- vi. No new Customer account should be opened if
 - a. The customer could not provide the required documents for complying with this guideline
 - b. The customer is not co operating in providing the required documents
 - c. The documents provided by the customer are non reliable and could not be confirmed.

- vii. Quality Control staff to carry out a secondary verification on KYC Compliance.
- viii. Auditors to specifically comment about the KYC compliance at branches and the lapses if any. Such Reports to be put up before the Audit Committee of the Board every quarter.
- ix. The company should ensure a system of fixing accountability for serious lapses if any and intentional circumvention of the prescribed procedures.

Customer education:

A specific literature / pamphlets about KYC procedures must be provided so as to educate the customers about such programme.

The staff be adequately trained to handle with customers on KYC specific issues.

Technology

The ERP system should have provision to throw AML threats by updation of data of banks / FIs of SARFAESI related defaulters and as per the public available information from NHB, Financial Institutions and Banks. The banned countries list would be updated in the system, from time to time, so as to escalate any transactions from the banned list.

Maintenance of records of transaction

- i. All branches and CO should maintain proper records of all individual cash transactions (deposits and withdrawals) of Rs.10 Lakhs and above.
- ii. All branches and CO should maintain proper records of all series of cash transactions integrally connected to each other which have been valued below rupees ten lakhs or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakhs.
- iii. All cash transactions were forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place.
- iv. All suspicious transactions, as per NHB Rules, whether in cash or not made in cash, a record to be maintained.
- v. The company should ensure that records pertaining to the identification of customers and his address (e.g. copies of documents like passports, identity cards, driving licence, PAN, utility bills etc) obtained while opening the account and during the course of the business relationship with the company, are preserved properly for at least 10 years after the business relationship is ended. The identification records and transaction data should be made available to the competent authorities upon request

- vi. It is required to maintain records for a period for a period of 10 years from the date of transaction between the customers and the company. The company is required to maintain the following information: (i) the nature of transactions; (ii) the amount of transaction and the currency in which it was denominated. (iii) the date on which the transaction is conducted and (iv) the parties to the transaction.
- vii. The company and its employees maintain strict confidentiality of the fact of furnishing / reporting details of suspicious transactions.
- viii. The formats for reporting the requisite information in respect of cash transactions and suspicious transactions are enclosed. (Annexure-3).

Reporting to Financial Intelligence Unit (FIU) - India:

In terms of Prevention of Money Laundering Act (PMLA) rules, the company is required to report information in the specified format relating to cash and suspicious transactions to the Director, FIU-IND, Financial Intelligence Unit-India, 6th Floor, Hotel Samrat, Chanakyapur, New Delhi-110 021.

A copy of the information furnished to be retained by the principal Officer for official record.

General:

- i. The PML Rules and the provisions relating to Foreign contribution and regulation act 1976 wherever applicable, to be adhered to.
- ii. Where the company is unable to apply appropriate KYC measures due to non-availability of information from the customer/s concerned or non-co-operation by the customer by giving a notice of 1 month period, the company may consider call back of the advances (so as to close the account) or terminating business relationship. Such decision is vested with MD.

NATIONAL TRUST HOUSING FINANCE LIMITED

LIST OF REQUIRED DOCUMENTS

Annexure - 1

Individual customers

For applicant and co applicant/s

- ❖ Passport size photos – each one - to be pasted in application with sign across the photo

Photo copies of the following documents

- ❖ Age proof – Passport / School Certificate / Employer certificate / VAO certificate / Certificate from Bank Manager / Certificate from Gazetted Officer
- ❖ Address proof – Passport / Ration card / receipt from Post Office / Sale Deed / Rental Agreement with utility bill, gas bill, Telephone Bill
- ❖ ID Proof – Passport ./ RationCard / PAN Card / Voter ID / Employer ID / Driving Licence / Certificate from Bank manger or Gazetted Officer or VAO
- ❖ Signature proof – PAN card / Driving Licence / Passport / Certificate from Bank manger or Gazetted Officer or VAO
- ❖ Latest six months Bank A/c statement for Applicant and Co-Applicant. One year in the case of non salaried / self employed

INCOME DOCUMENTS

For applicant and co applicants (whichever is applicable)

If Salaried

- ❖ Latest three months salary slips
- ❖ Salary certificate – (Latest 6 months)
- ❖ Form 16 or IT returns with income computation for latest three years
- ❖ Cash salary – F8
- ❖ Company profile

If non – salaried

- ❖ IT returns with Computation of income for latest three years of the Concern / Firm / Company and the individual
- ❖ Audited financial statements of the concern / firm / company for latest three years
- ❖ Company profile with number of employees , turnover etc
- ❖ Details of credit facilities availed by the individual as well as concern / firm / company from any bank or financial institution
- ❖ If non-Salaried, all the income paper copies should be duly attested by your Auditor where the turnover is Rs.40 lakhs and above. Otherwise self attested with sign across the photo

Guarantor Details: Duly filled and signed Guarantor form, one photograph, identify Card Photo Copy, Pay Slip / Salary Certificate, Form 16 / IT ACK Photo Copy

Note: KYC to be collected for Power of attorney holder appointed by the applicant in India as above.

Non – individual customers & NRIs

1. In case of a Private Limited company

- ❖ The name of the company and principal place of business has to be verified with Certificate of incorporation, Memorandum and Articles of Association
- ❖ Copy of Company PAN
- ❖ Board resolution of the company with respect to the authorised person. Such authorised person shall provide KYC proof as given above
- ❖ Address proof like latest telephone bill for the company

2. In case of Partnership firms

- ❖ Registration certificate
- ❖ Partnership deed
- ❖ Copy of PAN of the firm
- ❖ Address proof like latest telephone bill for the company
- ❖ KYC compliance of individual partners should be provided.

3. KYC Documents to be collected (For Non Resident Indians)

a. Acceptable Age proof

- ❖ Passport with validity date
- ❖ Drivers Licence
- ❖ PAN card
- ❖ Birth certificate

b. Acceptable Signature Proof

- ❖ Letter from bank for verifying the signature
- ❖ Passport with validity date
- ❖ Drivers Licence
- ❖ PAN card

c. Acceptable Identity Proof

- ❖ Letter from Banker with photo duly attested and verified for identity of the customer
- ❖ Passport with validity date
- ❖ Drivers Licence
- ❖ PAN card

d. Acceptable Address Proof (For Indian address and abroad address)

- ❖ Utility Bills like Telephone Bill, Gas bill of last 3 months in the country of residence.
- ❖ Passport with validity date. **If the passport is issued abroad then the first passport issued in India with Indian address to be verified**
- ❖ Sale deed of the property with Postal Address
- ❖ Letter from employer abroad
- ❖ Foreign Bank statement with residential address in it.

MANUAL REPORTING FORMATS

1. MCTR (Manual Cash Transaction Report)
2. MCTR (IDS) – (Manual Cash Transaction – Individual detail sheet)
3. MCTR (LP/Entity – Details) (manual Cash Transaction Report – Legal Person / entity details sheet)
4. MCTR (S) Summary of Manual Cash Transactions Report)
5. MSTR (Manual Suspicious Transactions Report)
6. MSTR (IDS) (Manual Suspicious Transaction Report – Individual detail sheet)
7. MSTR (LP/ Entity – Details) (Manual Suspicious Transaction report – Legal persons / Entity)
8. MSTR (ADS) (Manual Suspicious Transaction Report – Account Details Sheet)
9. Illustrative (but not exhaustive) list of suspicious transactions in housing/ builder / project loans

LIST OF SUSPICIOUS TRANSACTIONS

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