

KYC (Know Your Customer) Policy & Anti Money Laundering Measures

Parameter	Features
NHB Circular	<p>The Guidelines on “KYC” and “Anti-Money Laundering Measures” are hereby revised for all HFCs vide circular-NHB/ND/DRS/Policy Circular No. 94/2018-19 issued by National Housing Bank (NHB) dated March 11, 2019.</p> <p>The objective of “Know Your Customer (KYC)” guidelines is to prevent any Financial Institution (FI) from being used, intentionally or unintentionally, by criminal elements for money laundering or terrorist financing activities. KYC procedure also enables FI to know/ understand their customer and their financial dealings better which in turn help them to manage their risk prudently.</p>
Applicability	The provisions of this policy are in line with the Guidelines issued by NHB and shall apply (with updates and amendments) to IIFL HFL at all times.
Key Elements	<p>KYC is an ongoing process which starts with the beginning of relationship and runs through the life cycle of our relationship with the borrower. KYC Policy includes below 4 key elements:</p> <ul style="list-style-type: none"> (a) Customer Acceptance Policy; (b) Risk Management; (c) Customer Identification Procedures (CIP); and (d) Monitoring of Transactions
Customer Acceptance Policy	<p>Below guidelines must be followed while appraising a loan application:</p> <ul style="list-style-type: none"> (a) No loan to be sanctioned in anonymous or fictitious/benami name. (b) No loan to be sanctioned where we are unable to collect proper KYC documents (as per policy) either due to non-cooperation of the borrower or due to non-reliability of the documents/information furnished by the borrower (FCU Fraud). (c) No loan to be disbursed without following the CDD (Customer Due Diligence) procedure. (d) For existing customers, No further transaction, like issuance of SOA, LOD, additional Top Up etc. (except accepting EMI), is undertaken if proper KYC documents are not in place. (e) The mandatory information to be sought for KYC purpose prior to disbursement of a loan and during the periodic updation (post disbursement), has been mentioned in this policy. (f) Optional/ additional information to be obtained with the explicit consent of the customer after loan disbursement. (g) KYC documentation is mandatory for all borrowers, co-borrower, Guarantor & POA Holder while disbursing a loan. (h) If an existing CKYC compliant customer of IIFL HFL desires to avail Top Up, there shall be no need for a fresh CDD exercise except for scenarios where address of borrower has changed and/ or in case of change in Risk Category (Dynamic Risk Category & Initial Risk Category in system shall be the same of the borrower). (i) Circumstances in which, a borrower is permitted to act on behalf of another person/ entity, is allowed as per defined guidelines in this policy. (i) Credit to ensure that the identity of the borrower does not match with any person or entity, whose name appears in the sanctions lists issued by UN Security Council circulated by National Housing Bank and/ or Reserve Bank of India from time to time <p>Note: It is important to bear in mind that the adoption of Customer Acceptance Policy and its implementation should not result in denial of IIFL HFL's services to general public, especially to those, who are financially or socially disadvantaged. Joint approval from “Compliance Head” + “Policy Head” to be obtained in case of any such exceptional scenarios.</p>

Risk Management	<ul style="list-style-type: none"> In accordance with the mandate by Regulatory Bodies on the Risk Profiling & assessment for the portfolio and the related notifications on KYC and PMLA issued by the National Housing Bank from time to time, a borrower shall be categorized based on his risk profile type. The customers, basis their profile, identity, social/ financial status, nature of business activity, and information about the borrower’s business & their location etc., are categorized under 3 types of Risk: <ul style="list-style-type: none"> (i) Low Risk: Individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile may be categorized as low risk. Illustrative examples of low risk customers could be salaried employees whose salary structures are well defined, people belonging to lower economic strata of the society whose accounts show small balances and low turnover, Government Departments & Government owned companies, regulators and statutory bodies, etc. (ii) Medium Risk: Customers that are likely to pose a higher than average risk to the HFC may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. (iii) High Risk: Examples of customers requiring higher due diligence may include: <ul style="list-style-type: none"> • non-resident customers, • high net worth individuals, • Trusts, charities, NGOs and organizations receiving donations, • Companies having close family shareholding or beneficial ownership (BO)*, • Firms with 'sleeping partners', • Politically exposed persons (PEPs)###, • non-face to face customers##, and • Those with dubious reputation as per public information available, etc. <p>## "Non-face-to-face customers" means customers who open accounts without visiting the branch/ offices of the HFC or meeting the officials of the Company.</p> <ul style="list-style-type: none"> In LOS, every loan is categorized at the time of origination as well as post disbursement as below: <ul style="list-style-type: none"> (i) Static Risk: Risk category is fixed at the time of inception of loan. (ii) Dynamic Risk: Post loan disbursement, the risk category of borrower changes basis his loan repayment trend. <p>Static Risk:</p> <ul style="list-style-type: none"> Based on the guidelines of NHB, the risk categorization has been aligned in the system. This classification logic is based on parameters like borrower profile, loan type, property type, income type. The logics are already inbuilt in the system and are automatically selected based on below logic: <table border="1" style="width: 100%; border-collapse: collapse; text-align: center;"> <thead> <tr> <th colspan="5">Risk Profiling Logic in LOS</th> </tr> <tr> <th>Profile</th> <th>Loan Type</th> <th>Property Type</th> <th>CAM Type / Income Type</th> <th>Risk Grade</th> </tr> </thead> <tbody> <tr> <td>NRI</td> <td>Home Loan</td> <td>Residential</td> <td>Salaried</td> <td>Medium</td> </tr> <tr> <th colspan="5">Resident Indian</th> </tr> <tr> <td>SAL</td> <td>Home Loan</td> <td>Residential</td> <td>Salaried/FLIP</td> <td>Low</td> </tr> <tr> <td>SAL</td> <td>Home Equity</td> <td>Any</td> <td>Salaried/FLIP</td> <td>Medium</td> </tr> <tr> <td>SEP / SENP</td> <td>Home Loan</td> <td>Residential</td> <td>Normal Self Employed</td> <td>Low</td> </tr> <tr> <td>SEP / SENP</td> <td>Home Loan</td> <td>Residential</td> <td>Surrogates (other than Normal Self Employed)</td> <td>Medium</td> </tr> </tbody> </table>	Risk Profiling Logic in LOS					Profile	Loan Type	Property Type	CAM Type / Income Type	Risk Grade	NRI	Home Loan	Residential	Salaried	Medium	Resident Indian					SAL	Home Loan	Residential	Salaried/FLIP	Low	SAL	Home Equity	Any	Salaried/FLIP	Medium	SEP / SENP	Home Loan	Residential	Normal Self Employed	Low	SEP / SENP	Home Loan	Residential	Surrogates (other than Normal Self Employed)	Medium
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SEP / SENP	Home Equity	Any	Normal Self Employed	Medium
SEP / SENP	Home Equity	Any	Surrogates (other than Normal Self Employed)	High
SAL / SEP / SENP	Home Loan/ Home Equity	Any	LRD	Low
SENP	Home Loan/ Home Equity	Any	Projected Cash Flows	High

Dynamic Risk Category:

- Every customer once being stamped into a risk category is further subject to change of his risk profile on monthly basis depending on the repayment history and DPDs.

- Logic for change in risk gradation is mentioned as below:

Customer Grade	30 + DPD	90+ DPD	Nil DPD in last 12 months
Low	Medium	High	No change
Medium	High	No Change	Low
High	No Change	No Change	Medium

- Based on system generated logic, portfolio review would be done on half yearly basis at every risk committee meeting.
- **Credit Team to ensure Periodic KYC updation in system (Document Entry tab) 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:**

(i) Online PAN verification

(ii) Authentication of Aadhaar Number already available with IIFL HFL 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 (Self Attestation + OSV) of OVD (Officially Valid Document explained in policy) containing identity and address shall be obtained thru mail/post/email etc. at the time of periodic updation from individuals except those who are categorized 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, the documents sought at the time of loan disbursement to be reviewed and fresh certified (Self attestation + OSV) copies shall be obtained.

Note: An acknowledgment along with date of having performed KYC updation must be provided to the customer.

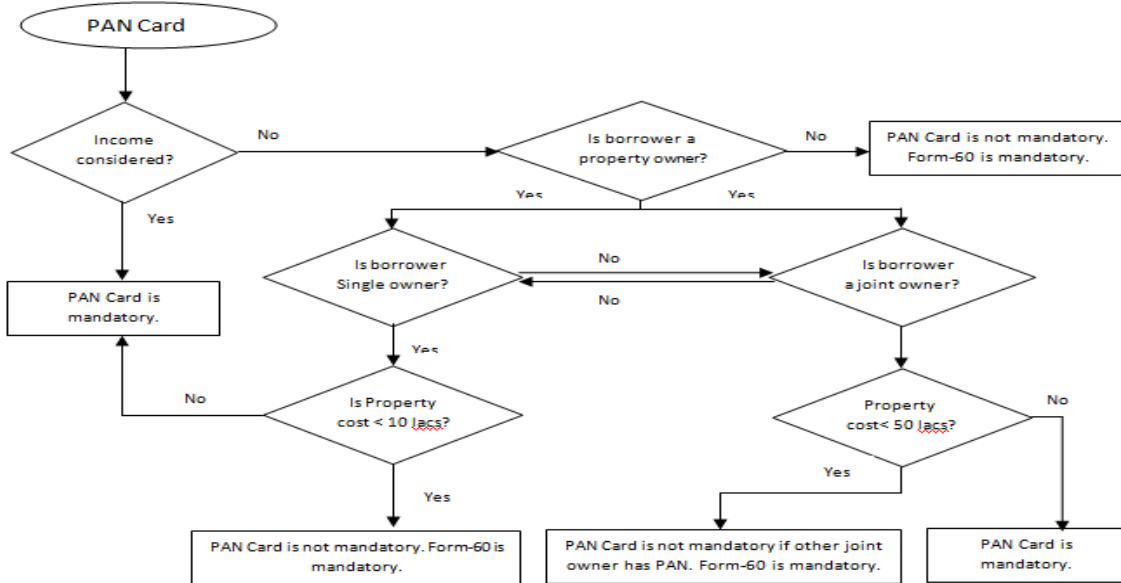
*Beneficial Owner –

(a) Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.

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

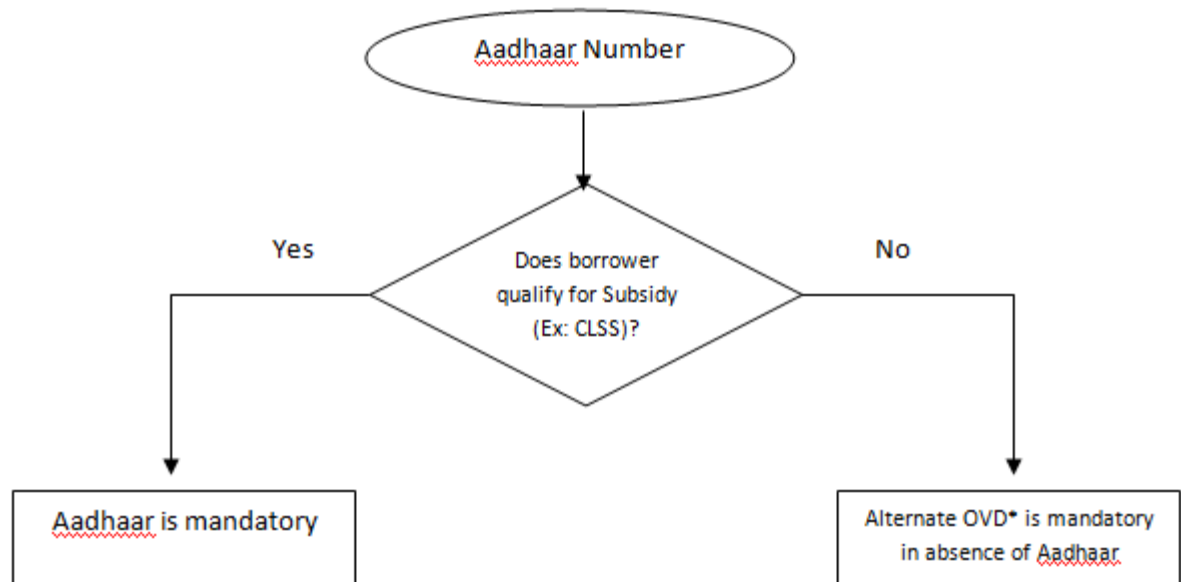
(i) "Controlling ownership interest" means ownership of/entitlement to more than 25% of the shares or capital or profits

	<p>of the company.</p> <p>(ii) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.</p> <p>(b) Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have "ownership of" or "entitlement to" more than 15% of capital or profits of the partnership.</p> <p>(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 off entitlement to more than 15% of the property or capital or profits of the unincorporated association or body of individuals.</p> <p>Explanation- Term 'body of individuals' includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.</p> <p>(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.</p>
<p>Customer Identification Procedure (CIP)</p>	<ul style="list-style-type: none"> • Customer Identification means undertaking client due diligence (CDD) measures while commencing relationship including identifying and verifying the customer on the basis of one of the Officially Valid Documents. • While undertaking CDD, it is mandatory to obtain the following information from an individual while establishing an account based relationship with an 'individual' or dealing with the individual who is a beneficial owner, authorized signatory or the power of attorney holder related to any legal entity: • Below are mandatory to be documented: <ul style="list-style-type: none"> (i) Identity proof (ii) Address proof (iii) One recent photograph <p>Procedure for obtaining identification/ Customer Due Diligence (CDD) Procedure:</p> <p>For Individuals:</p> <ol style="list-style-type: none"> 1. PAN Card – Mandatory for every borrower holding PAN card. Form-60 mandatory in absence of PAN only in exceptional scenarios explained below:



Note: It is mandatory for a borrower to submit PAN Card if he/she is already a PAN Card holder. Form-60 to be accepted only for those borrowers who do not hold a PAN Card.

2. Aadhaar Card:



*OVD is Officially Valid Document. "Officially Valid Document" (OVD) means 'OVD' as defined under the Rule 2(l)(d) of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

Note: The submission of Aadhaar by an individual as a KYC document in cases other than subsidy cannot be insisted upon. However, the individual, if so desires, may provide the same out of his own wish.

Above mentioned documents i.e. PAN & Aadhaar should be documented as a priority and is must in the scenarios as mentioned above. In absence of any of these documents, only if allowed (ex: Aadhaar Card is not mandatory for non-subsidy cases), any alternate document as per OVD list to be taken as ID/ Address proof as applicable.

Officially Valid Document (OVD): Any one of below OVD to be documented s.t. PAN & Aadhaar norms as specified above:

For Individuals - OVD (Officially Valid Documents)	
ID Proof	Address Proof (copy of any one)
Passport	Passport
PAN Card (Form-60 mandatory in absence of PAN, only if PAN waiver is allowed as mentioned above)	Ration card
Aadhaar Card	Aadhaar Card/ Letter issued by the UIDAI containing details of name, address and Aadhaar number
Voter's ID Card	Voter's ID Card
Driving License	Driving License
Photo ID Card issued by Govt body	Letter from a recognized public authority or public servant verifying the identity and residence of the customer to our satisfaction.
Letter from recognized public authority or public servant verifying the identity of the customer with photograph (not more than 30 days old)	
Note:	
<i>(i) Self attestation & OSV is mandatory on above documents.</i>	
<i>(ii) PAN Card/ Form 60 is mandatory.</i>	
<i>(iii) In absence of PAN (in special scenarios as mentioned above in policy document), any of above mentioned alternate documents under ID proof can be accepted. Form 60 is mandatory in such cases.</i>	
<i>(iv) Above mentioned OVD (Address Proof) can be accepted for Permanent Address also. Details of "Permanent Address" must be captured in system and FI of current address and permanent address to be done.</i>	

In case the Address Proof furnished by the customer out of the documents specified above does not contain updated address, the following documents shall be deemed to be OVDs for the limited purpose of proof of address:

Deemed OVD (temporary) - 3 months	
Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);	Property or Municipal tax receipt;
Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if it contains the address;	For NRIs - documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India
Letter of accommodation from employer issued by State or Central Govt 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;	

Note: The above documents (deemed OVD) can only be accepted in cases where the current / permanent address of borrower has not been updated in OVD (Document issued by Govt body). In such scenarios, Customer shall submit updated OVD (Address Proof) as mentioned in previous table with current/ permanent address within a period of three months of submitting the above documents. Same to be marked as PDD in the system. Branch to ensure OVD (Address proof) issued by Govt body with updated address to be documented with a period of max 3 months of loan disbursement.

Note: In case permanent address is mentioned on OVD, then any of the above mentioned documents (deemed OVD) and/ or below mentioned documents can be accepted as "current address proof" without raising a PDD in system.

Additional alternate Address Proof (any 2)

Rent Agreement (as per norms)*	Credit Card Statement not older than 3 months
Bank Statement (latest max 1 month old)	Any Insurance Policy
Attestation from existing banker (Nationalized/Scheduled) not more than 30 days old.	Residence address Certificate /letter by employer on company letterhead
Post office saving bank account statement (latest)	

Where blood relation (including spouse) are staying at common residence, one applicant with valid address proof may provide Declaration of the same Residence Address for the other applicant. Such blood relation to be established by any acceptable KYC documents or Marriage Certificate. (as per approved draft)

In all other scenarios, where borrowers are not in blood relation or are not residing together and any of them is unable to provide a valid Residence Proof, an Affidavit duly notarized may be submitted in lieu of Address proof. (as per approved draft)

Note: In case permanent address is mentioned on OVD, then any of the deemed OVD address proof and/ or above mentioned documents can be accepted as "current address proof" without raising a PDD in system.

***Rent Agreement Norms:**

- Rent Agreement not allowed to be taken as Residence Address Proof, if the agreement is <6 months old except under below scenarios with ZCM approval:

If borrower has been staying for more than 6 months:

- ✓ Rent agreement mentions stay of 6 months or more even if its recently made &
- ✓ Permanent address proof documented &
- ✓ Positive Resi FI (Stay confirmed)
- ✓ Positive FCU with the landlord confirming stay. FCU of rent agreement not required.
- ✓ Electricity bill of residence having name of Landlord to be documented.

Or

- ✓ Rent agreement recently made but we have proof of old expired rent agreements of same address.
- ✓ Electricity bill of residence having name of Landlord to be documented.
- ✓ Positive FCU with the landlord confirming stay. FCU of rent agreement not required.

If borrower has recently shifted to the new place, then :

- ✓ Rent agreement &
- ✓ Permanent address proof documented &
- ✓ Positive Resi FI(Stay confirmed)
- ✓ Positive FCU with the landlord confirming stay.
- ✓ Positive FCU of rent agreement.
- ✓ Electricity bill of residence having name of Landlord to be documented.

Non Individual:

Below documents are required as Business Proof for Non-Individuals:

Non Individuals - Business Existence Proof					
Proprietorship Concern	Registered Partnership Firm	Registered Trust	Legal Entity (Company)	Unregistered Partnership Firm or Unregistered Trust (Unincorporated Association)/ Body of Individuals	Other Juridical persons not specifically covered in the earlier part, Societies/ Universities and local bodies
Any 2 of below mentioned documents:	All below docs are mandatory:				
Registration Certificate	Registration Certificate	Registration Certificate	Certificate of incorporation	Resolution of the managing body of body of Association/ Individuals	Resolution & Byelaws of the concerned body
Certificate/licence issued by the municipal authorities under Shop and Establishment Act	Partnership Deed (must be registered)	Trust Deed (must be registered)	Memorandum and Articles of Association	PAN or Form No.60 of the unincorporated association or a body of individuals	PAN or Form No.60 of the unincorporated association or a body of individuals
GST Return and Income Tax returns	PAN of the Partnership Firm	PAN or Form 60 of the Trust	PAN of the company	Unregistered Partnership/ Trust Deed/ any other document to establish legal existence of such an Association or Body of Individuals	Incorporation Proof &/or Establishment Deed
CST/VAT/CST certificate (provisional/ final)	One copy of an OVD containing details of identity and address, one recent photograph and PAN or Form 60 of the partners who are authorized to	One copy of an OVD containing details of identity and address, one recent photograph and PAN or Form 60 of the Trustees who are authorized to	A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf;	Power of attorney/ Authority Letter granted to transact on its behalf;	Power of attorney/ Authority Letter granted to transact on its behalf;

		transact on behalf of the Firm.	transact on behalf of the Trust.			
	Certificate/ registration document issued by Sales Tax/Service Tax/ Professional Tax authorities.			One copy of an OVD containing details of identity and address, one recent photograph and PAN or Form 60 of the Directors who are authorized to transact on behalf of the company.	One copy of an OVD containing details of identity and address, one recent photograph and PAN or Form 60 of the Partners/ Trustee etc., as the case may be, holding an attorney to transact on its behalf	One copy of an OVD containing details of identity and address, one recent photo and PAN or Form 60 of the Partners/ Trustee etc., as the case may be, holding an attorney to transact on its behalf
	IEC (Importer Exporter Code) issued to the proprietary concern by the office of DCFT/Licence/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.					
	Complete Income Tax Return (not just the acknowledgement) in the name of the sole proprietor where the firm's income is reflected, duly authenticated/ acknowledged by the Income Tax authorities.					
	Utility bills such as electricity, water, and landline telephone bills.					
<p><i>Note: The above mentioned documents of "Business Proof" to be collected in addition to PAN/ Form-60 and Address proof.</i></p>						

	<p><i>Note: In case of Proprietorship, if only one of the above mentioned documents have been submitted instead of two documents, then we can accept the same s.t. positive office CPV & business confirmation.</i></p> <p><i>Note: Self attestation and OSV is mandatory on all the above documents</i></p> <p><i>Note: Unregistered trusts/partnership firms shall be included under the term 'unincorporated association' and the term 'body of individuals', includes societies</i></p>
Politically Exposed Persons (PEPs)	<p>###"Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions e.g., Heads of States/ Governments, Senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc.</p> <p>Loan funding to PEPs may be exceptionally done in following scenarios only,:</p> <p>(a) sufficient information including information about the sources of funds accounts of family members and close relatives is provided by the PEP;</p> <p>(b) the identity of the person shall have been verified before accepting PEP as customer;</p> <p>(c) the decision to fund loan to PEP is taken by Risk Head and/or CEO in accordance with the Customer Acceptance Policy;</p> <p>(d) all such loans are subjected to enhanced monitoring on an on-going basis;</p> <p>(e) in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, has to inform IIFL HFL within 15 working days and obtain CRO/CEO approval to continue the business relationship;</p> <p>(f) The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.</p>
Customer's Accounts Opened by Professional Intermediaries	<p>IIFL HFL shall ensure while opening customer's accounts through professional Intermediaries, if any, that:</p> <p>(a) Customer shall be identified when client account is opened by a professional intermediary on behalf of a single client.</p> <p>(b) IIFL HFL shall have option to hold 'pooled' accounts managed by professional intermediaries on behalf of entities like mutual funds, pension funds or other types of funds.</p> <p>(c) IIFL HFL shall not open accounts of such professional intermediaries who are bound by any client confidentiality that prohibits disclosure of the client details to the Company.</p> <p>(d) All the beneficial owners shall be identified where funds held by the intermediaries are not co-mingled at the level of the Company, and there are 'sub-accounts', each of them attributable to a beneficial owner, or where such funds are co-mingled at the level of the Company, IIFL HFL shall look for the beneficial owners.</p> <p>(e) IIFL HFL shall, at its discretion, rely on the CDD done by an intermediary, provided that the intermediary is a regulated and supervised entity and has adequate systems in place to comply with the KYC requirements of the customers.</p>

<p>Ongoing Due Diligence</p>	<p>Ongoing monitoring is an essential element of effective KYC procedures. HFCs can effectively control and reduce their risk only if they have an understanding of the normal and reasonable activity of the customer so that they have the means of identifying transactions that fall outside the regular pattern of activity.</p> <p>a) HFCs to pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.</p> <p>b) The extent of monitoring shall be aligned with the risk category of the customer. A system of periodic review of risk categorization of accounts is in place as mentioned in this Policy.</p> <p>c) Customers that are likely to pose a higher than average risk to the HFC may be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. HFCs may apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.</p> <p>Examples of customers requiring higher due diligence may include</p> <ul style="list-style-type: none"> • non-resident customers, • high net worth individuals, • trusts, charities, NGOs and organizations receiving donations, • companies having close family shareholding or beneficial ownership, • firms with 'sleeping partners', • politically exposed persons (PEPs) of foreign origin, • non-face to face customers, and • those with dubious reputation as per public information available, etc.
<p>Monitoring of Transactions</p>	<p><u>Maintenance of Records of transactions:</u></p> <p>As specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, all HFCs (compliance team) shall maintain the record of all transactions including the records of:</p> <p>(A) all cash transactions of the value of more than Rs.10 lacs or its equivalent in foreign currency;</p> <p>(B) all series of cash transactions integrally connected to each other which have been individually valued below Rs.10 lacs or its equivalent in foreign currency where such series of transactions have taken place within a month and the monthly aggregate exceeds an amount of Rs.10 lacs or its equivalent in foreign currency;</p> <p>(BA) all transactions involving receipts by non-profit organizations of value more than Rs.10 lac, or its equivalent in foreign currency;</p> <p>(C) all cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine or where any forgery of a valuable security or a document has taken place facilitating the transactions;</p> <p>(D) all suspicious transactions whether or not made in cash and by way of:-</p> <ul style="list-style-type: none"> (i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of: <ul style="list-style-type: none"> (a) cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or (b) travellers cheques, or (c) transfer from one account within the same banking company, financial institution and intermediary, as the

case may be, including from or to Nostro and Vostro accounts (Nostro and vostro are Italian terms that describe the same bank account. They're used when one bank has another bank's money on deposit. For example, Bank A uses nostro account to refer to its account that's held by Bank B. Nostro means "our." It's a shorthand way of saying, "our money that is on deposit at your bank."), or
(d) any other mode in whatsoever name it is referred to;

- (ii) credits or debits into or from any non-monetary accounts such as Dmat account, security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be;
- (iii) money transfer or remittances in favour of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following:-
 - (a) payment orders, or
 - (b) cashiers cheques, or
 - (c) demand drafts, or
 - (d) telegraphic or wire transfers or electronic remittances or transfers, or
 - (e) internet transfers, or
 - (f) Automated Clearing House remittances, or
 - (g) lock box driven transfers or remittances, or
 - (h) remittances for credit or loading to electronic cards, or
 - (i) any other mode of money transfer by whatsoever name it is called;
- (iv) loans and advances including credit or loan substitutes, investments and contingent liability by way of:
 - (a) subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitized participation, interbank participation or any other investments in securities or the like in whatever form and name it is referred to, or
 - (b) purchase and negotiation of bills, cheques and other instruments, or
 - (c) foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called, or
 - (d) letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and/or credit support;
 - (v) Collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.

(E) all cross border wire transfers of the value of more than five lakh rupees or its equivalent in foreign currency where either the origin or destination of fund is in India;

(F) all purchase and sale by any person of immovable property valued at fifty lakh rupees or more that is registered by the reporting entity, as the case may be.

Furnishing of information to the Director, Financial Intelligence Unit - India (FIU-IND):

(i) As per provisions of the Rule 8 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, below information shall, inter-alia, be furnished to the Director, FIU-IND, within specified time and form:

- (1) The Principal Officer (defined below) shall furnish the information in respect of transactions referred to in clause (A), (B), (BA) and (E) of sub-rule of 3 (as specified above) every month to the Director by 15th day of the succeeding month.
- (2) The Principal Officer of IIFL HFL shall furnish the information promptly in writing or by fax or by email to the Director in respect of transactions referred to in clause (D) of sub-rule (1) of rule 3 (specified above) not later than 7 working days on being satisfied that the transaction is suspicious.
- (3) The Principal Officer of IIFL HFL shall furnish the information in respect of transactions referred in clause (F) of sub-

rule (1) of rule 3 (specified above) every quarter to the Director by 15th day of the month succeeding the quarter.
(4) For purpose of this rule, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-reported transaction beyond the time limit as specified in this rule shall constitute a separate violation.

- (ii) A copy of information furnished shall be retained by the 'Principal Officer' for the purposes of official record.
- (iii) There is no need to submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period. HFCs are advised to take note and act accordingly.
- (iv) IIFL HFL should not put any restriction on operations in the loan accounts where an STR (Suspicious Transaction Reporting) has been filed. The fact of furnishing of STR should be kept strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS):

"FATCA" means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign Financial Institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.

Company has already registered under FATCA and complying with the requirement of KYC guidelines as prescribed by the NHB.

Secrecy Obligations and Sharing of Information:

- (i) It is mandatory to maintain secrecy on the borrower's information, especially KYC details.
- (ii) While considering the requests for data/information from Government and other agencies, IIFL HFL must ensure that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in transactions.
- (iii) An illustrative (but not exhaustive) list of suspicious transactions in housing/ builder / project loans is furnished in Annexure – 1.

Sharing KYC information with Central KYC Records Registry (CKYCR):

Government of India has authorized the Central Registry of Securitization Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015. As per this notification, all HFCs are required to upload the Know Your Customer (KYC) data with CERSAI in respect of new loan disbursed on or after November 01, 2016

To ensure compliance, IIFL HFL has ties up with Trackwizz (vendor). The Trackwizz portal to ensure smooth compliance to process CKYC. Once details of borrowers are uploaded successfully on CKYC portal, IIFL HFL gets customer CKYC Registration number (unique identifier) and the said number shall be stored in IIFL HFL's records.

Hiring of Employees and Employee training:

- (a) Adequate KYC screening must for new employees. This must be completed prior to their joining at IIFL HFL.
- (b) It is mandatory for existing and new employees to attend all training programs specified.r.t KYC/AML.

Selling Third party products:

KYC norms to be complied as per the applicable laws/regulations including system capabilities for capturing, generating and analyzing alerts for the purpose of filing CTR/STR in respect of transactions relating to third party products.

Adherence to KYC Policy Guidelines

Adherence to Know Your Customer (KYC) guidelines by HFCs and persons authorized by HFCs including brokers/agents etc.:

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

We need to ensure that the provisions of the PML Act, Rules framed there under and the Foreign Contribution (Regulation) Act, 2010, applicable, are adhered to strictly.

Where IIFL HFL is unable to apply appropriate KYC measures due to non-furnishing of information and / or non-cooperation by the customer, then IIFL HFL may consider closing the loan or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at senior level.

Compliance of KYC Policy

Below is the responsibility matrix for ensuring effective implementation of KYC Policy:

Level	Concerned authority	Responsibility
Level 1	DST + Respective IRM + Respective RM/ SM & above	Valid KYC documents + OSV No document to be signed without seeing original document.
Level 2	Credit Officer+ BCM + ACM + RCM/H	Valid KYC documents + OSV + data entry in system. No case to be disbursed without KYC compliance.
Senior Management		
Level 3	ZCM/ ZCH, Risk Head, Credit Head, Head HR, Training Head, Case approving authorities as mentioned in the Credit Manual of the Company	Ensure KYC Policy compliance
Level 4	Compliance Head (Principal Officer)	To ensure compliance of KYC Policy, monitoring transactions, sharing & reporting information as required under the PMLA, 2002
Level 5	ED & CEO (Designated Director)#	Overall compliance with the PMLA, 2002 obligations

Note:

The name, designation and address of the Designated Director & Principal Officer, including changes from time to time, shall be communicated to the Director, FIU-IND and also to the National Housing Bank.

Concurrent/internal Audit to verify the compliance of KYC/AML policies and Procedures

The internal audit team of IIFL HFL to submit quarterly audit notes and compliance to the Audit Committee.

" #“Designated Director” means a person designated by the reporting entity to ensure overall compliance with the obligations imposed under the PMLA, 2002

Annexure 1 (Definitions)

Beneficial Owner (BO)

(a) Where the customer is a company, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have a controlling ownership interest or who exercise control through other means.

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

(i) "Controlling ownership interest" means ownership of/entitlement to more than 25% of the shares or capital or profits of the company.

(ii) "Control" shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

(b) Where the customer is a partnership firm, the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have "ownership of" or "entitlement to" more than 15% 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 off entitlement to more than 15% of the property or capital or profits of the unincorporated association or body of individuals.

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

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

Annexure 2 (Suspicious Transactions)

A. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO BUILDER/ PROJECT/ CORPORATE CLIENTS:

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

B. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO INDIVIDUALS:

- 1) Legal structure of client has been altered numerous times (name changes, transfer of ownership, change of corporate seat).
- 2) Unnecessarily complex client structure.
- 3) Individual or classes of transactions that take place outside the established business profile, and expected activities/ transaction unclear.
- 4) Customer is reluctant to provide information, data, documents;
- 5) Submission of false documents, data, purpose of loan, details of accounts;
- 6) Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc.;
- 7) Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;

	<p>8) Approaches a branch/ office of a HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/ office nearer to the given address;</p> <p>9) Unable to explain or satisfy the numerous transfers in account/ multiple accounts;</p> <p>10) Initial contribution made through unrelated third party accounts without proper justification;</p> <p>11) Availing a top-up loan and/ or equity loan, without proper justification of the end use of the loan amount;</p> <p>12) Suggesting dubious means for the sanction of loan;</p> <p>13) Where transactions do not make economic sense;</p> <p>14) Unusual financial transactions with unknown source.</p> <p>15) Payments received from un-associated or unknown third parties and payments for fees in cash where this would not be a typical method of payment.</p> <p>16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;</p> <p>17) Encashment of loan amount by opening a fictitious bank account;</p> <p>18) 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;</p> <p>19) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;</p> <p>20) Multiple funding of the same property/dwelling unit;</p> <p>21) Request for payment made in favour of a third party who has no relation to the transaction;</p> <p>22) 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.</p> <p>23) Multiple funding / financing involving NGO / Charitable Organisation / Small/ Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)</p> <p>24) Frequent requests for change of address;</p> <p>25) Overpayment of instalments with a request to refund the overpaid amount.</p> <p>26) Investment in real estate at a higher/lower price than expected.</p> <p>27) Clients incorporated in countries that permit bearer shares.</p>
Repeal ed NHB Circulars	<p>The provisions of this Circular shall supersede the provisions of the following NHB Circulars –</p> <p>(a) NHB(ND)/DRS/POL-No-02/2004-2005 dated August 25,2004</p> <p>(b) NHB(ND)/DRS/POL-No-05/2004-2005 dated September 23,2004</p> <p>(c) NHB(ND)/DRS/POL-No-08/2004-2005 dated March 31,2005</p> <p>(d) NHB(ND)/DRS/POL-No-13/2006 dated April 10, 2006</p> <p>(e) NHB(ND)/DRS/POL-No-14/2006 dated July 25,2006</p> <p>(f) NHB(ND)/DRS/POL-No-17/2006 dated September 25,2006</p> <p>(g) NHB(ND)/DRS/POL-No-20/2007 dated January 17, 2007</p> <p>(h) NHB(ND)/DRS/POL-No-26/2009 dated February 20, 2009</p> <p>(i) NHB (ND)/DRS/Pol-No.32/2009-10 dated March 16,2010</p> <p>(j) NHB/ND/DRS/Pol-No. 33/2010-11 dated October 11,2010</p> <p>(k) NHB (ND)/DRS/Pol.No. 60/2013-14 dated February 6, 2014</p> <p>(l) NHB(ND)/DRS/Policy Circular No.72/2014-15 dated April 23,2015</p> <p>(m) NHB(ND)/DRS/Policy Circular No.85/2017-18 dated December 08,2017</p>