

# **SEWA GRIH RIN LIMITED**

**Know Your Customer  
And  
Anti Money Laundering Policy**

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## **1. Preface**

This document details the Know Your Customer (KYC) guidelines and Anti-Money Laundering guidelines to be followed by the company as soon as adopted by the board. This policy will be reviewed annually or on the basis of any material change in the regulatory requirements or business operations of the Company.

The said policy & measures will enable the company to know and understand its customers and their financial dealings better which in turn will help it manage risks prudently. The policy and measures will further help in preventing the company being used, intentionally or unintentionally by unscrupulous and criminal elements for money laundering activities.

Following are the four key elements of the policy:

- Customer Acceptance Policy;
- Customer Identification Procedures;
- Monitoring of Transactions; and
- Risk management.

## **2. For The purpose of KYC policy, a 'Customer' is defined as: -**

- a person or entity that has a loan and/or has a business relationship with the Company;
- one on whose behalf the account is maintained (i.e. the beneficial owner);
- beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law, and
- any person or entity connected with a financial transaction which can pose significant reputational or other risks to the Company.

## **3. Customer Acceptance Policy**

The Company will follow the guidelines given below while granting any loan to prospective customers

- A loan will be sanctioned only to those customers who have applied to the Company through a formal application which is provided to them by the Company;
- No loan is given to any fictitious/benami customer;
- Not to give a loan to any applicant or close any existing loan where the Company is unable to apply appropriate customer due diligence measures i.e the Company is unable to verify the identity and / or obtain documents required as per the risk categorisation due to the non-cooperation of the applicant / customer or non-reliability of the data / information furnished by such applicant/customer;
- Address proof will be obtained from all applicants prior to granting a loan. The documents which can be accepted as proof of residence are mentioned in Annexure I;

- Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and requirements of Prevention of Money Laundering Act, 2002 & National Housing Bank Act, rules framed there under and guidelines issued from time to time;
- Necessary checks will be applied before granting a new loan so as to ensure that the identity of the customer does not match with any person with a known criminal background or with banned entities such as individual terrorists or terrorist organizations etc. This will be done through de-duplication with publicly available lists of such individuals such as the SDN list etc;
- The customer profile prepared by company 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. However, while preparing customer profile only such information will be taken from the customer which is relevant to the risk category and is not intrusive. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or any other similar purposes. However the customer profile may be shared with a Credit Bureau, empanelled vendors subject to the confidentiality clause and / or other agencies as required by law;
- In case the customer is unable to be present at the branch location physically, necessary checks will be done prior to disbursement of the loan through the company's designated officers or an agency appointed by the Company to ensure the identity and contact details of the customer;
- In the event the applicant is either of the following, the loan may be operated by the designated officer of such applicants subject to necessary documents being made available allowing such persons to operate the loan account and which are in conformity with the laws and practices of the land;
  - Private Limited / Limited Company;
  - Partnership firm.
- At the time of any part or full prepayment of the loan by customers a declaration will be obtained from such customers as to the source of the funds which are being paid to the Company.

#### **4. Categorisation of Customers:**

For the purpose of applying the correct guidelines for identification and underwriting of potential customers, they will be broadly divided into low, medium and high risk

Categories as follows:

##### **4.1. Low Risk**

For the purpose of risk categorization, individuals 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, shall be categorized as low risk. Illustrative examples of low risk customers are –

- Salaried employees whose salary structures are well defined and salary is paid by cheque;
- People belonging to government departments, Public Sector Units, Public Limited Companies, Multinational Companies etc;
- Self-employed customers with proper income documents such as ITR, P&L and Balance sheets etc.

#### 4.2. Medium Risk

Individuals or entities whose source of wealth can be established through reference checks and verification shall be categorised as medium risk. Illustrative examples of medium risk customers will be –

- Salaried applicants working with Private Companies or small enterprises where the income is verified with the employer;
- Contractually employed applicants with variable income / unstructured income where the income is verified with the principal / primary source of income;
- Self-employed customers with a sound business where we can verify with suppliers / customers as to nature and volume of transactions as well as credibility in business dealings.

#### 4.3. High Risk

Individuals or entities that pose a higher than average risk to the Company will be categorised as high risk customers. This will be ascertained at the time of credit underwriting after looking at the customers background, nature of business / employment, predictability of cash flows etc. Illustrative examples of high risk customers will be –

- Politically Exposed persons;
- Daily wage earners/persons without a permanent place of work;
- Seasonal wage earners.

### 5. Monitoring Risk Categorisation

An annual review will be carried out of all the loans to determine the changes in behaviour of any loan vis-a-vis the initial risk categorization. This will be done in the month of April each year for all loans disbursed during the preceding twelve months. Accounts will be updated with the revised risk categorization based on a senior management review and approval from the COO / CEO. Whenever there is a change in the risk category of any client, the same will be communicated to him / her in writing within 30 days of making such a change. Since the loans given by the Company are long term in nature going up to 15 years, the Company will monitor the account performance for a minimum of 3 years prior to making any change in the risk category. This is to ensure that periodic cash flow issues which many a customer may face do not impact his category since they affect performance of the loan only for a brief period. However, if the Credit Head does feel that a particular customer

should be re-categorised due to some extremely adverse circumstances, then he / she can recommend change in the risk categorization even before 3 years.

## **6. Customer Identification Procedure**

Customer identification means identifying the customer and verifying his / her identity by using reliable, independent source documents, data or information while establishing a relationship. The Company will obtain relevant documents to prove the applicants identity, place of residence, age etc which are necessary to establish identity and contractibility of each new customer.

The company will ensure that all / any documents as listed in Annexure I are obtained from prospective customers in order to carry out the necessary due diligence for granting a loan.

As per the internal classification, for low and medium risk customers, the company will, either through its own officers or appointed agencies carry out verification of originals, place of residence etc. as well as take signature verification wherever necessary. For loans to partnership firms / limited companies, the company will obtain and verify the necessary documents to prove empowerment of the individual who is the designated authority for such applicant. In addition to this, the company's officers will do a personal discussion with the customer at his residence / office in order to interact with other family / workplace members which will also help ascertain the genuineness of the prospective customer.

Apart from this, the following guidelines will be followed while dealing with specific clients:

- Trust / Nominee or Fiduciary Accounts - Company shall attempt to determine whether the customer is acting on behalf of another person as trustee / nominee or any other intermediary. If so, Company will insist upon receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting.
- Accounts of companies and firms - Company shall attempt to verify the legal status of the legal person/ entity through proper and relevant documents. Company shall attempt to verify that any person, who purports to act on behalf of the legal / juridical person/entity, is so authorized and verify the identity of that person.
- Client accounts opened by professional intermediaries-When the Company has knowledge or reason to believe that the client account opened by a professional intermediary, is on behalf of a single client, that client shall be identified. Where the Company rely on the 'customer due diligence' (CDD) done by an intermediary, it will be ensured that the intermediary has adequate systems in place to comply with the KYC requirements.

## **7. Monitoring of Transactions**

On-going 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 instalment paid through electronic clearing system (ECS) mandate or post-dated cheques, our monitoring structure will be relevant to our nature of operations. While unusually large

cash transactions will be rare given that the maximum loan the company currently offers is ₹800,000/- the company will still pay special attention to all unusually large cash transactions relevant to its size of loans. Reporting for cash transactions especially for loan closures will be done and reviewed by the Management team periodically for identifying anomalies and to carry out due diligence if required as to source of funds or re-verifying identity of the borrower. Apart from this the Company will also carry out the following activities:

- 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;
- In addition thereto, the Branches will ensure that no disbursements are done in cash and shall, on a 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.

## **8. Management**

The following guidelines shall be followed by the company regarding the risk management of the company:

- The Company's internal audit department / engaged agency for internal audit, will evaluate and ensure adherence to the KYC policies and procedures. They will 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 also be put up before the Audit Committee of the Board as and when they meet. In addition to this, the Audit Committee will also ensure that the periodic evaluation of the Company's policies and procedures are done to ensure legal and regulatory compliance. The Company shall have an on-going employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements shall have different focus for frontline staff, compliance staff and staff dealing with new customers in order to make sure that the relevance and importance of this activity is understood by all employees irrespective of their functional roles;

- 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;
- The Company will have adequate controls in place while deploying new technology / modifying existing technology to all threats that may arise due to loss of data / access to data which is critical;
- The Company will apply KYC norms for all existing loan customers on the basis of materiality and risk envisaged by it for such loan accounts;
- 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 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 Credit Head / Operations Head and above only after issuing due notice to the customer explaining the reasons for taking such a decision;

## **9. Appointment of Principal Officer**

The Company has designated CEO, as 'Principal Officer'. Principal Officer is located at our Registered Office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. Principal Officer will maintain close liaison with enforcement agencies with the help of the other staff members, other Companies and other institutions which are involved in the fight against money laundering and combating financing of terrorism. Principal Officer will also ensure that there is a proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines. 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;

## **10. Maintenance of records of transactions**

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:

- All cash transactions of the value of more than Rupees ten lakhs or its equivalent in foreign currency;
- 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 lakh;

- 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 facilitating the transactions;
- All suspicious transactions as mentioned in Annexure II.
- Records to contain the specified information: The records maintained shall contain the following:-
  - the nature of the transactions;
  - the amount of the transaction and the currency in which it was denominated;
  - the date on which the transaction was conducted.
  - the Parties to the transaction.
- The Company shall implement a Software at the earliest for maintaining data and information on computer systems for sanction and disbursal files. As soon as the software is implemented, data and information of all existing sanction and disbursal files shall be uploaded on the software. This provides for a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required;
- 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 ten years after the full closure of the account. 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;

## **11. Miscellaneous**

The Company shall ensure that the provisions of PML, Rules framed thereunder and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

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.

## 12. Annexures

### 12.1. Annexure-I: List of KYC Documents

List of KYC Documents	Identity	Residence Address	DOB & Age Proof
Voter ID	Yes	Yes	Yes
Passport	Yes	Yes	Yes
Driving License	Yes	Yes	Yes
Ration Card / BPL Card with Photo	Yes	Yes	Yes
PAN Card	Yes		Yes
Aadhar Card	Yes	Yes	Yes
Bank Passbook-with Photograph duly attested by Bank	Yes	Yes	
Employees Photo ID for Govt Listed / PSU	Yes		
Photo Credit Card	Yes		
ESI Card with Photo	Yes		
Medical Insurance card with public Sector Insurance companies with Photo. Medical Policy should be in force or valid at the time of Login of Application	Yes		
Armed Forces ID	Yes		
Bills of Electricity/ Phone / GAS- Last 3 Months.	Yes	Yes	
NREGA Job Card	Yes		Yes
Birth Certificate			Yes
Education Certificate - Class 10 <sup>th</sup> & 12 <sup>th</sup> .			Yes
LIC Receipts & Bonds			Yes
Rent Agreement, supported with electricity bill of Landlord. Rent agreement should be valid at the time of Login Application		Yes	

## 12.2. Annexure-II: List of Suspicious Transactions Pertaining to House Loans

- Customer is reluctant to provide information, data, documents;
- Submission of false documents, data, purpose of loan, details of accounts;
- Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc;
- Reluctant to meet in person, represents through a third party / Power of Attorney holder without sufficient reasons;
- Approaches a branch/office of the company, which is away from the customer's residential or business address provided in the loan application, when there is Company branch/office nearer to the given address;
- Initial contribution made through unrelated third party accounts without proper justification;
- Availing a top-up loan and / or equity loan, without proper justification of the end use of the loan amount;
- Suggesting dubious means for the sanction of loan;
- Where transactions do not make economic sense;
- There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- Encashment of loan amount by opening a fictitious bank account;
- 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;
- Sale consideration stated in the agreement for sale is abnormally higher / lower than what is prevailing in the area of purchase;
- Multiple funding of the same property / dwelling unit;
- 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;
- Multiple funding / financing involving NGO / Charitable Organization / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs);
- Frequent requests for change of address;
- Overpayment of instalments with a request to refund the overpaid amount.