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KYC & AML Policy

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v.05	Board	27.12.2023

KYC AND AML POLICY

a. INTRODUCTION

In terms of the provisions of RBI Master Direction DBR.AML.BC.No.81/14.01.001/2015-16, Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, Housing Finance Companies (HFCs) are required to follow certain customer identification procedures while undertaking a transaction either by establishing an account based relationship or otherwise and monitor their transactions. HFCs shall take steps to implement provisions of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, as amended from time to time, including operational instructions issued in pursuance of such amendment(s).

Nivara's KYC and AML Policy has been amended in its board meeting dated 22nd March 2022 keeping in view RBI notification DOR.NBFC (HFC).CC.No.111/03.10.136/2019-20 dated May 19, 2020 extending Master Direction – Know Your Customer (KYC) Directions, 2016 to Housing Finance Companies.

b. APPLICABILITY

The provisions of KYC and AML Policy shall apply to all the branches / offices of Nivara.

c. DEFINITIONS:

In this policy, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them in Annexure 1.

d. KYC & AML POLICY INCLUDES FOLLOWING FIVE KEY ELEMENTS:

- A. Customer Acceptance Policy
- B. Customer Identification Procedures
- C. Customer Due Diligence
- D. Monitoring of Transactions
- E. **Risk management.**

e. COMPLIANCE OF KYC POLICY:

- a) Senior Management for the purpose of KYC Compliance constitutes:
 - Chief Executive Officer
 - Chief Operating Officer
 - Chief Financial Officer
 - Company Secretary
 - Chief Compliance Officer
 - Business Head
 - Head of Operations
 - Head of Human Resources
 - **Head of Audit**
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- b) Implementation of the KYC Policy shall rest with the Business Team comprising of Sales and Marketing. The Operation Team will monitor the implementation of the Policy.
- c) The Secretarial Auditor shall evaluate the compliance functions of HFC's policies annually.
- d) The Internal Audit team shall verify compliance of KYC and AML policy annually.
- e) Compliance to KYC and AML policy shall be quarterly placed before the audit committee.

5A. CUSTOMER ACCEPTANCE POLICY

- I. Nivara's customer acceptance policy shall be governed by the following principles:
 - i. No account is opened in anonymous or fictitious/benami name(s). Nivara will establish proper identity credentials.
 - ii. No account is opened where Nivara is unable to apply Customer Due Diligence measures due to non-cooperation of customers and non-reliability of documents.
 - iii. The pursuance of such prospects and nature of information/documentation sought will be based on the risk classification derived primarily from two criteria viz. those with documented income, those whose income is either undocumented or needs to be assessed based on other supporting evidence.
 - iv. In the rare instance where an existing customer's data/information furnished is found to be unreliable/incorrect Nivara may choose to close the account with due notice.
 - v. Where necessary, Nivara may at its discretion identify and communicate circumstances under which customers can open account on behalf of another person without in anyway diluting the letter and spirit of the provisions in this note
 - vi. Customer Due Diligence procedure is to be followed for all joint account holders
 - vii. No need of fresh Customer Due Diligence for another account of an existing customer
 - viii. Prior to establishing or opening an account all necessary checks will be undertaken including institutional credit checks, de-dupe checks, negative list as per policy or as per communication by regulatory authorities from time to time.
 - ix. Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
 - x. Opening of account of person with political connection, a firm, entity, body corporate, unincorporated body will only be with MD approval.
 - xi. Where the Company is suspicious of money laundering or terrorist financing, and it reasonably believes that performing the CDD process will tip-off the customer, it shall not pursue the CDD process, and instead file an STR (Suspicious Transaction Report)

5B. CUSTOMER IDENTIFICATION PROCEDURE

- I. Nivara's customer identification process will cover the following instances:
 - i. Commencement of an account-based relationship with the customer.
 - ii. During conduct of transactions of limits prescribed by regulatory authorities from time to time
 - iii. When there is a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.
 - iv. Selling third party products as agents, selling Nivara products and any other product will be done only after KYC.
- II. The documentation requirements are given under section "KYC Documentation" in Annexure 2.
- III. Client accounts opened by professional intermediaries

In cases where Nivara depends on the 'customer due diligence' done by an intermediary, Nivara will ensure that the intermediary is regulated and supervised and has adequate systems in place to comply with the KYC requirements.

5C. CUSTOMER DUE DILIGENCE PROCEDURE

1. While undertaking customer due diligence from Individual/beneficial owner/authorized signatory/power of attorney holder following documents shall be collected:
 - a. Aadhar number if he desires benefits/subsidy or he decides to submit his Aadhar number voluntarily. OR
Official Valid Document (OVD) containing details of his identity and address and

- b. Recent photograph and
- c. PAN or Form 60 in case of non-availability of PAN and
- d. Such other documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by Nivara.
- e. It is required to submit physical FATCA Self-certification form to the Nodal officer of the company, if customers Birthplace, Citizenship and Residence for the Tax Purposes is other than India or an US person.
- f. Company can obtain KYC Identifier with explicit customer consent to download KYC records from CKYCR.

2. Above documents shall be Original Seen & Verified (OSV).

3. Customer not intending to avail subsidy benefits are not required to submit Aadhar and can provide for any OVD

4. Such other documents pertaining to the nature of business or financial status specified in Annexure 2

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

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, Nivara will put in place a system of certification of all the documents and, if necessary, additional documents may be called for. Nivara shall ensure that the first payment is to be effected through the customer's KYC-complied account, for enhanced due diligence of non-face to face customers.

Such non-face-to-face modes for this purpose includes use of digital channels such as CKYCR, DigiLocker, equivalent e-document, etc.

6. Periodic KYC Updation:

- Once in every two years for high risk customers
- Once in every eight years for medium risk customers
- Once in every ten years for low risk customers

Procedure:

- I. Nivara 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 Nivara 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 except those 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. Nivara shall not insist on 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. Consent forwarded by the customer through mail/ post, etc., shall be acceptable.
 - vi. Nivara will provide acknowledgment with date of having performed KYC updation.
 - vii. The time limits prescribed above would apply from the date of opening of the account/ last verification of KYC.
 - viii. If a customer having an existing account-based relationship with Nivara gives in writing that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60,

Nivara shall close the account and all obligations due in relation to the account shall be appropriately settled after establishing the identity of the customer by obtaining the identification documents as applicable to the customer.

- ix. Where Nivara is unable to apply appropriate KYC measures due to non-furnishing of information and / or non-cooperation by the customer, Nivara may consider closing the account or terminating the business relationship after issuing the notice to the customer explaining the reasons for taking such a decision, by a Senior level person.

7. V-CIP (Video Based Customer Identification Process)

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

- i. The official performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information and can only carry out Offline Verification of Aadhaar for identification.
- ii. Official shall capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
- iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India
- iv. The official shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.
- v. The official shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.
- vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 working days from the date of carrying out V-CIP.
- vii. All accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process. Nivara shall ensure that the process is a seamless, real-time, secured, end-to-end encrypted audiovisual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. Nivara shall carry out the liveliness check in order to guard against spoofing and such other fraudulent manipulations.
- viii. To ensure security, robustness and end to end encryption, Nivara shall carry out software and security audit and validation of the V-CIP application before rolling it out.
- ix. The audiovisual interaction shall be triggered from the domain of Nivara itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
- x. Nivara shall ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xi. The official shall ensure to redact or blackout the Aadhaar number in terms of Section 16.

8. Money Laundering and Terrorist Financing Risk Assessment:

Nivara shall carry out 'Money Laundering (ML) and Terrorist Financing (TF) Risk Assessment' exercise periodically to identify, assess and take effective measures to mitigate its money laundering and terrorist financing risk. Such risk assessment exercise shall be done at least once in six months by Risk Management Committee of Nivara and Board/Audit Committee of Board shall review the report annually.

5D. MONITORING OF TRANSACTIONS:

1. Maintaining record of transactions

Nivara shall have a system in place for maintenance of records of transactions (nature and value) at each branch and consolidated record for all branches taken together at the registered office in such form and for such period as specified under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005.

(a) maintain all necessary records of transactions between Nivara and the customer for at least five years from the date of transaction.

(b) preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during the course of business relationship, for at least five years after the business relationship is ended;

(c) The records referred to in Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 shall be maintained for a period of ten years from the date of cessation of the transactions between the client and the banking company, financial institution or intermediary, as the case may be.

2. Nivara shall maintain all necessary information in respect of transactions prescribed under Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005, so as to permit reconstruction of individual transaction, including the following:

- a. nature of the transactions
- b. amount of the transaction and the currency in which it was denominated;
- c. date on which the transaction was conducted; and
- d. parties to the transaction.

3. Information to be maintained in hard and soft copies that allows information to be retrieved easily when required.

4. Transactions under the Rule 3 of the Prevention of Money-laundering (Maintenance of Records) Rules, 2005 are as under:

(A) all cash transactions of the value of more than ten lakh rupees or its equivalent in foreign currency;

(B) all series of cash transactions integrally connected to each other which have been individually valued below rupees ten lakh 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 ten lakh rupees or its equivalent in foreign currency;

[(BA) all transactions involving receipts by non-profit organisations of value more than rupees ten lakh, or its equivalent in foreign currency;]

(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;]

(D) all suspicious transactions whether or not made in cash and by way of—

(i) deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of—

(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,

(d) any other mode in whatsoever name it is referred to;

(ii) credits or debits into or from any non-monetary accounts such as d-mat 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, securitised participation, inter bank 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;
 - e) 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.

5. Transactions which are considered suspicious are mentioned in Annexure 3

6. Furnishing of Information to FIU:

- i. Nivara will, *inter-alia*, furnish to the Director, FIU-IND, within such time and in such form, the information in respect of transactions as referred under sub-rule (1) of rule 3 of the said Rules as detailed above.
 - ii. The reporting formats and comprehensive reporting format guide prescribed/ released by FIU-IND and Report Generation Utility and Report Validation Utility developed to assist reporting entities in the preparation of prescribed reports shall be taken note of.
 - iii. Nivara shall not put any restriction on operations in the accounts where an STR has been filed. Nivara shall keep the fact of furnishing of STR strictly confidential.
 - iv. 'NIL' reports need not be submitted in case there are no Cash/Suspicious Transactions, during a particular period.
7. Nivara should ensure their branches continue to maintain proper record of all cash transactions (deposits and withdrawals) of Rs. 10 lakhs and above. The internal monitoring system should have an inbuilt reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to controlling/HO on monthly basis.

5E. RISK MANAGEMENT

- I. Customer shall be categorized into following based on assessment and risk perception:
 - a. Low Risk Category
 - b. Medium Risk Category
 - c. High Risk Category
- II. Review of risk profiles of customers to be carried out at least once in six months by Risk Management Committee.
- III. Risk Categorization shall be done on below parameters:
 - a. Customer Identity - While considering customer's identity, the ability to confirm identity documents through online or other services offered by issuing authorities may also be factored in.
 - b. Social and Financial Status
 - c. Nature of business activity
 - d. Information about the clients' business
 - e. Their location etc

Nivara will identify and classify customers based on their risk profile. As a general rule, 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, may be categorized as low risk. Customers that is likely to pose a higher than average risk to the HFC may be categorized as medium or high risk depending on customer's track record, nature and location of activity, sources of income and overall profile. Nivara will apply enhanced due diligence measures for high risk customers.

6. SECRECY OBLIGATION AND SHARING OF INFORMATION:

- i. Nivara shall maintain secrecy regarding customer Information
- ii. Information collected from customers for the purpose of granting loan shall be treated as confidential and details thereof shall not be divulged for the purpose of cross selling, or for any other purpose without the express permission of the customer.
- iii. While considering request for data/information from Govt and other agencies, Nivara shall satisfy themselves that the information being sought is not of such a nature to violate provisions of law relating to secrecy
- iv. Nivara shall maintain confidentiality of information as provided in Section 45NB of RBI Act 1934
- v. The exceptions to the said rule shall be as under:
 - a) Where disclosure is under compulsion of law
 - b) Where there is a duty to the public to disclose,
 - c) The interest of Nivara requires disclosure and
 - d) Where the disclosure is made with the express or implied consent of the customer.

7. Introduction of New Technologies:

Adequate attention shall be paid by Nivara to any money laundering and financing of terrorism threats that may arise in relation to the development of new products and new business practices, including new delivery mechanisms, and the use of new or developing technologies for both new and pre- existing products.

8. CONCLUSION:

Nivara is bound by its mission of "Housing for All" and to that extent policies would in fact try to ensure more inclusiveness with respect to the segments of societies we would extend housing finance.

Annexure -1

1. "Aadhaar number" means an identification number as defined under sub-section (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016, henceforth the 'Aadhaar Act';

2. "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;

3. "Authentication" means the process as defined under sub-section (c) of section 2 of the Aadhaar Act;

4. 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 10% 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 off entitlement to more than 10% of capital or profits of the partnership or who exercises control through other means.

(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 percent 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 10% or more interest in the trust and other natural person exercising ultimate effective control over the trust through a chain of control or ownership.

5. "Cash Transactions" means "Cash Transactions" as defined under rule 3 of the Rules.

6. "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 Nivara as per the provisions contained in the Act.

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

8. "Customer" means a person', as defined below under Para 17 below, who is engaged in a financial transaction or activity with Nivara and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

9. "Customer Due Diligence" (CDD) means "Client Due Diligence" as defined under rule 9 of the Rules and the amendments thereto.

10. "Customer Identification" means undertaking the process of CDD.

11. "Designated Director" means a "Designated Director" as defined under rule 2(ba) of the Rules.

12. "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.

13. "KYC Templates" means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities

14. "Non-face-to-face customers" means customers who open accounts without visiting the branch/ offices of the HFC or meeting the officials of Nivara.

15. "Officially Valid Document" (OVD) means OVD as defined under rule 2(l)(d) of the Rules and the amendments thereto.

16. "On-going Due Diligence" means regular monitoring of transactions in accounts to ensure that they are consistent with the customers profile and source of funds.

17. "Periodic Updation" means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the National Housing Bank.

18. "Person" has the same meaning as defined in the *Act* and includes:

- a. an individual,
- b. Hindu undivided family,
- c. company,
- d. firm,
- e. an association of persons or a body of individuals, whether incorporated or not,
- f. every artificial juridical person, not falling within anyone of the above persons (a to e), and
- g. any agency, office or branch owned or controlled by any of the above persons (a to f).

19. "Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions by a foreign country e.g., Heads of States/ Governments, senior politicians, senior government/ judicial/ military officers, senior executives of state-owned corporations, important political party officials, etc.

20. "Principal Officer" means "Principal Officer" as defined under rule 2(f) the Rules

21. "Suspicious Transaction" means "Suspicious Transaction" as defined under rule 2(g) of the Rules

22. "Transaction" means "Transaction" as defined under rule 2(h) of the Rules.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Prevention of Money Laundering Act and Prevention of Money Laundering (Maintenance of Records) Rules, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Annexure -2

KYC DOCUMENTS		
LIST OF DOCUMENTS - IDENTITY & ADDRESS		
Documents – Individual	Identity	Address
PAN card	Yes	No
Passport	Yes	Yes
Driving License	Yes	Yes
Election / Voter ID card	Yes	Yes
Aadhar card	Yes	Yes
Ration card	No	Yes
Leave and License Agreement	No	Yes
Job card issued by NREGA/MGNREGA duly signed by the officer of the State Government	Yes	Yes
Letter issued by the National Population Register containing details of name, address.	Yes	Yes
Identity card with applicants Photograph issued by Central/State Government Departments, Statutory/Regulatory Authorities, Public Sector Undertaking, Scheduled Commercial Banks and Public Financial Institutions	Yes	No
Utility bill which is not more than 2 months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill)	No	Yes
Property/ Municipal Tax receipt	No	Yes
Bank account latest 3 month old/ Post Office Saving Bank account statement	No	Yes
Pension/ family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain Address	No	Yes

A document mentioned above shall be deemed to be an OVD even if there is a change in the name subsequent to issuance provided it is supported by a marriage certificate issued by State Government or Gazette notification, indicating such a change of name.

*Subject to voluntary submission of Aadhaar, along with Aadhaar consent declaration in compliance of section 7 of Aadhaar Act 2016

Annexure 3

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

- 1) Builder approaching the HFC for a small loan compared to the total cost of the project;
- 2) Builder is unable to explain the sources of funding for the project;
- 3) Approvals/sanctions from various authorities are proved to be fake 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 centralised corporate oversight.
- 7) Advice on the setting up of legal arrangements, which may be used to obscure ownership or real economic purpose (including setting up of trusts, companies or change of name/ corporate seat or other complex group structures).
- 8) Entities with a high level of transactions in cash or readily transferable assets, among which illegitimate funds could be obscured.

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;
- 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;
- 9) Unable to explain or satisfy the numerous transfers in account/ multiple accounts;
- 10) Initial contribution made through unrelated third party accounts without proper justification;
- 11) Availing a top-up loan and/ or equity loan, without proper justification of the end use of the loan amount;
- 12) Suggesting dubious means for the sanction of loan;
- 13) Where transactions do not make economic sense;
- 14) Unusual financial transactions with unknown source.
- 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.
- 16) There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- 17) Encashment of loan amount by opening a fictitious bank account;
- 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;
- 19) Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- 20) Multiple funding of the same property/dwelling unit;
- 21) Request for payment made in favour of a third party who has no relation to the transaction;
- 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.

- 23) Multiple funding / financing involving NCO / Charitable Organisation / Small/ Medium Establishments (SMEs) / Self Help Groups (SHCs) / Micro Finance Groups (MFCs)
- 24) Frequent requests for change of address;
- 25) Overpayment of instalments with a request to refund the overpaid amount.
- 26) Investment in real estate at a higher/lower price than expected.
- 27) Clients incorporated in countries that permit bearer shares.

Suspicious Transactions - Housing Loans

As defined under rule 2(g) and 2(h) of the The Prevention of Money-laundering (Maintenance of Records) Rules, 2005

- (I) “transaction” means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes—
 - (i) opening of an account;
 - (ii) deposits, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other nonphysical means;
 - (iii) the use of a safety deposit box or any other form of safe deposit;
 - (iv) entering into any fiduciary relationship;
 - (v) any payment made or received in whole or in part of any contractual or other legal obligation;
 - (vi) any payment made in respect of playing games of chance for cash or kind including such activities associated with casino; and
 - (vii) establishing or creating a legal person or legal arrangement.

- (II) “suspicious transaction” means a transaction referred to in clause (I) above, including an attempted transaction, whether or not made in cash, which to a person acting in good faith—
 - (a) gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or
 - (b) appears to be made in circumstances of unusual or unjustified complexity; or
 - (c) appears to have no economic rationale or bona fide purpose; or
 - (d) gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism;