Guidelines on Know Your Customer (KYC) & Anti-money Laundering (AML) Measures

1. OBJECTIVES
The objective of the Know Your Customer (KYC) Guidelines is to prevent the Housing Finance Company (HFC) from being used, intentionally or unintentionally, by criminal elements for money laundering activities. HUDCO has framed the policy on KYC & AML measures based on NHB's guidelines.

2. DEFINITION OF CUSTOMER:
For the purpose of KYC Policy, a customer is:

- A person or entity that maintains an account and/or has a business relationship with HUDCO;
- 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 HUDCO, say, a wire transfer or issue of a high value demand draft as a single transaction etc.

3. Customer Acceptance Policy (CAP)
Information taken from the customer should be in conformity with the guidelines issued and any other information from the customers should be sought separately with his/her consent. Since HUDCO is not in banking business issues pertaining to following areas are not being built in guidelines:

i) Opening of accounts
ii) Location of customer and his clients
iii) Volume of turnover
iv) Not to open or close an existing account, if due diligence measures cannot be applied
v) When account is operated by mandate holder
vi) Necessary checks to be applied while opening a new account so that the matching with other person, with known criminal background is ruled out.
For Borrowing Side Customers (Investors)

Investors are classified in the following categories for customer acceptance policy (CAP): -

i. **Low risk category customer** – Salaried employees in Government and private sector, employees of PSUs, banks, universities, statutory bodies, etc. (other than high net worth).

ii. **Medium risk category customer** – Cooperative societies, associations, charitable trusts, etc.

iii. **High risk category customer** – Non-resident customers, High net worth individuals, Trusts, NGOs and organization 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.

As regards the accounts of politically exposed persons (PEPs) of foreign origin if the existing investor or the beneficial owner of the existing deposit subsequently becomes PEP then company should take enhanced monitoring.

In case of low and medium risk category of customers, customer identification should be carried out based on identification through proof of legal name, office/residence address, PAN Card, bank account number, employer’s certification. However, in case of high-risk category customers, the following additional documents may be asked for:

- Identification proof of customer – Details of bank account number, copy of latest income tax returns, source of fund, location of activity and any other document based on customer profile.

For Lending Side Customers (Borrowers)

HUDCO offers/applies differential rate of interest on different categories of borrowers for Housing/ Infrastructure project loans and individuals for individual home loans as per the risk perceived on different category of borrower and market conditions. The rate of interest on different categories of borrowers are reviewed and revised periodically.

Monitoring of Customer Acceptance Policy

The operation of customer acceptance policy as detailed above would be monitored on the following aspects of customer relationship.

a. Parameters of risk perceptions are clearly defined in the terms & conditions of Public Deposit Scheme application form/Bonds application form/Loan
application form, which may carry location (address) and mode of payment (cheques/DD/P.O./RTGS/NEFT). No amount is accepted in cash.

b. All relevant identification documents as stated in Table-I (referred under CIP column) would be required in respect of different categories of customers (investors/borrowers).

c. No application for FD/Bond/Loan shall be accepted without identification of customers (investors/borrowers) through prescribed KYC guidelines; however, the bank account opening/closing directions are not applicable to HUDCO Public Deposit Scheme/Bonds/Loans.

d. Customer profile would be opened for new customers based on risk categorization. This profile would be kept as confidential document. However, in obtaining the details on the customers confidentiality/courtesy would be maintained.

e. In case of individual investor (low risk category), the identification procedure would be simple by obtaining proof of identity and residential address proof.

f. In case of medium or high risk category investors; the identification proof would consist of verification of name and address etc. However with respect to medium & high risk clients the due diligence & verification of the customer background, nature, source of fund etc. shall be confined only to the extent of study of the documents provided by the clients for verification as indicated in the guidelines i.e. IT returns may be obtained to establish sources of income/wealth.

g. Enhanced due diligence may be applied for those investors whose source of funds are not clear, such categories could be –

   i) high net worth individual
   ii) non resident customers
   iii) trust, charities, NGO's and organizations receiving donations
   iv) companies having close family shareholding or beneficial ownership
   v) firms with sleeping partners
   vi) politically exposed person (PEP) of foreign origin
   vii) non -face to face customers and
   viii)those with dubious reputation as per public information available

4. Customer Identification Procedure (CIP)

Companies, Financial Institutions and Intermediaries) Rules, (hereinafter referred to as PML Rules), requires HUDCO to do the following:

i) At the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and

ii) In all other cases, verify identity while carrying out:

   a. Transaction of an amount equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected, or

   b. Any international money transfer operations.

iii) If the current address mentioned by the customer is the same on the document submitted for identity proof, the document may be accepted as a proof of both identity and address.

iv) If the current address mentioned by the customer is different from the address indicated on the document submitted for proof of identity, a separate proof of address may be obtained as per extant instructions.

Any customer should be identified through the following procedures:

**TABLE – I**

<table>
<thead>
<tr>
<th>Sl. No.</th>
<th>Categories of customers</th>
<th>Identification documents required</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.</td>
<td>Individuals</td>
<td>(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving license (v) Identity card (subject to the HUDCO's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of HUDCO (vii) Aadhar card/ Letter issued by Unique Identification Authority of India containing details of name, address and Aadhar Number.</td>
</tr>
<tr>
<td></td>
<td>- Legal name and any other names used</td>
<td>(i) Telephone bill (ii) Account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the HUDCO) (any one document which provides customer information to the satisfaction of HUDCO)</td>
</tr>
<tr>
<td></td>
<td>- Correct permanent address</td>
<td></td>
</tr>
</tbody>
</table>
One recent passport size photograph except in case of transactions referred to in Rule 9(1)(b) of the PML Rules.

| 2. Companies | (i) Certificate of incorporation (ii) Memorandum & Articles of Association (iii) Resolution from the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf (v) Copy of the telephone bill |
| - Name of the company  
- Principal place of business  
- Mailing address of the company  
- Telephone/Fax Number |

| 3. Partnership Firms | (i) Registration certificate, if registered  
(ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses (v) Telephone bill in the name of firm/partners. |
| - Legal name  
- Address  
- Names of all partners and their addresses  
- Telephone numbers of the firm and partners |

| - Names of trustees, settlers, beneficiaries and signatories  
- Names and addresses of the founder, the managers/directors and the beneficiaries  
- Telephone/fax numbers |

| 5. Unincorporated association or a body of individuals | (i) resolution of the managing body of such association or body of individuals (ii) power of attorney granted to him to transact on his behalf (iii) an officially valid document in respect of the person holding an attorney to transact on his behalf (iv) and such other information as may be required by HUDCO to |
collectively establish the legal existence of such as association or body of individuals.

*'*Officially valid document' is defined to mean the passport, the driving license, the permanent account number card, the Voter's Identity Card issued by the Election Commission of India, Aadhar Card/ Letter issued by Unique Identification Authority of India containing details of name, address and Aadhar Number or any other document as may be required by HUDCO.

The requirement of documents for both the type of Customer (individual, Corporate etc) would be different.

a. For customers who are natural persons the document / data should be collected to verify the identity of the customers, his address, location and recent photograph.

b. For the customers that are legal persons as entities

i) Verify the legal status of the legal person/entity through proper and relevant document.

ii) Check the authorization to operate or purport on behalf of the legal person/ entity and verify the identity.

iii) The ownership and control structure of the customer should be understood in such a way that determination of natural person who controls the legal person is made.

For Borrowing Side Customers (Investors)

While investing in HUDCO's bonds or public deposits etc., the investors were already furnishing relevant details in the Application Form; hence for investors, the Application Form itself could be used to seek information required for KYC purpose.

For Lending side customers (Borrowers)

For the lending side customers various formats have been prepared to comply with revised guidelines applicable to different categories of borrowers as per Annexure

- Know Your Customer Form for Corporate Borrower incorporating customer identification policy: Form A2.

- Know Your Customer Form for Partnership Firms incorporating customer identification policy: Form A3.

- Know Your Customer Form for Individual incorporating customer identification policy, in which information regarding Directors, Promoters, Partners, and Trustees etc of the above categorized borrowers can be collected.

**Monitoring of Customer Identification Procedure (CIP)**

The customer identification procedure as stated above would be monitored through the following aspects:

i. The legal status/entity would be verified through prescribed documents as detailed in Table-I on Page No.4-6 of this Guidelines.

ii. Under the terms & conditions of public deposit scheme, the first depositor and joint holder are legally authorized to place the deposit and carry out the servicing till the redemption period. No other person is authorized to discharge the FD certificate or receive maturity payment, hence, verification of other than the first depositor and second depositor is not proposed in normal case.

iii. In case of minors, deposits can be placed under guardianship and accordingly the identification documents of guardians would be required as detailed out above in customer identification procedure.

5. **Monitoring of Transactions**

The collection of data on borrower side would be the primary responsibility of the Appraisal Team. Further, to ensure monitoring of HUDCO's KYC Guidelines, the borrowers may be requested to re-submit their respective forms annually or in case of any change in the structure of the entity.

The collection of data on investor side would be the primary responsibility of the Resource Mobilisation Wing/ Regional Offices and in case of transfers; Resource Mobilisation Wing/ Regional Offices/ Registrar would be responsible for collection of data.

Further, to monitor proper record of all deposits and withdrawals under HUDCO Public Deposit Scheme at Head Office and Regional Offices level separate registers containing details of individual transactions should be maintained. In case of large amount of pre-mature withdrawals, verification of signatories to be carried out from original application form
and amount should be paid in specified bank account only. Under the terms & conditions of deposit scheme, no cash transactions are permitted; hence, no records of such transactions are required to be maintained. In the event of large deposits (much more than the average size per depositor) special attention may be paid and in no event deposit over Rs.25 crores or as the upper limit may be from corporate's should be accepted without verifying the transaction trail and depositors identity.

6. Risk Management

At Regional Office level, Regional Chiefs are responsible for ensuring proper compliance of KYC guidelines and procedures. At Head Office level, the In-charge of the Section is responsible for ensuring the compliance of KYC guidelines.

The Internal Audit Wing of HUDCO would carry out periodical inspection of Head Office & Regional Offices with respect to compliance of KYC guidelines as per NHB Directions, 2010 and also point out serious lapses and intentional circumvention, if any. The compliance report by RO’s and HO to compliance officer should be filed before 5th of each month; in addition a quarterly report by the PDS offices (RO’s / HO) should be filed to audit committee through Principal Officer. The HRD or Training division of HUDCO would ensure the ongoing training on awareness and implication of KYC Guidelines would be imparted at regular intervals.

7. Customer Education

Acceptance of deposits under public deposit scheme are carried out through manager-cum-brokers and direct deposits. Details of required KYC guidelines are circulated to brokers for intimating the same to depositors. Brokers are to ensure compliance on the deposits collected through/by them. The front desk staff (which is interfacing with the depositors) would be specially trained to manage KYC guidelines and compliance in a sensitive manner. The application form and information for Deposit /Bonds should be clearly indicated on the documents required for compliance of KYC guidelines.

8. KYC for the existing customers

The revised guidelines will apply to all new customers, however, transactions in existing deposits should be continuously monitored and any unusual pattern in the operation of accounts should be reviewed immediately. In case of renewal of existing deposits, the procedure of revised KYC guidelines needs to be applied on verification of customer identification.
9. **Appointment of Principal Officer**

To monitor compliance of KYC guidelines Executive Director-Internal Audit is appointed at Head Office as a Principal Officer.

10. **Maintenance and preservation of records**

Head Office and Regional Offices would maintain record of all transactions for 10 years from the date of transactions between the customers (investors & borrowers) and HUDCO. The customer identification documents received at the time of transaction should also be maintained for 10 years from date of cessation of transactions between the customers (investors & borrowers) and HUDCO and be available for inspection of Competent Authority upon request. As no cash transaction in any form is permitted in HUDCO no record should be created. However, any suspicious transaction other than cash, record keeping is a must and procedure has been defined already in the guidelines under the rules.

11. **Reporting to Financial Intelligence Unit-India**

In case of any suspicious transactions the same would be reported to the Director, Financial Intelligence India Unit as per the directions of KYC guidelines.

Where a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value so as to defeat the provisions of Section 12 of PMLA, principal officer would furnish information in respect of such transactions to the Director, Financial Intelligence Unit-India (FIU-IND) within the prescribed time.

12. **Closing the account or terminating the business relationship**

Where HUDCO is unable to apply appropriate KYC measures due to non-furnishing of information and/or non-cooperation by the customer, HUDCO may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision except in exceptional cases with prior approval of competent authority.
HOUSING & URBAN DEVELOPMENT CORPORATION LIMITED

KNOW YOUR CUSTOMER FORM (INDIVIDUAL FORM)

1) Legal name and any other names used

Documents in support (copies attested by Gazetted Officer/Notary/verification of originals by concerned HUDCO's Officer):

a) For resident Indian nationals
   (i) Passport (ii) Voter's Identity Card (iii) Driving license (v) Identity card (subject to the HUDCO's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of HUDCO (vii) Aadhar Card/Letter issued by Unique Identification Authority of India containing details of name, address and Aadhar Number.

b) For foreign nationals/NRIs etc
   (i) Passport – mandatory (ii) Driving license

2) DIN (issued by MCA) details, wherever applicable:

3) Current Address

4) Permanent Address (with telephone nos.)

Documents in support:
   (i) Telephone bill (ii) Bank account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration Card (vi) Letter from employer (subject to satisfaction of HUDCO) (any one document which provides customer information to the satisfaction of HUDCO will suffice) (any two copies attested by Gazetted Officer/Notary/verification of originals by concerned HUDCO’s Officer).

5) Date of Birth: ____________________

6) PAN No: ____________________

(Signature)
HOUSING & URBAN DEVELOPMENT CORPORATION LTD

KNOW YOUR CUSTOMER FORM (CORPORATE – BORROWER)
FORM-A2

1) Name of the company

2) Principal place of business

3) Mailing Address (with telephone and fax nos.)

Documents in support (copies attested by Company Secretary /Directors):

(i) Certificate of incorporation and Memorandum & Articles of Association
(ii) Resolution of the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact business on its behalf
(iii) an officially valid document* in respect of managers, officers or employees holding an attorney to transact on its behalf
(v) Copy of the telephone bill.

7) Names and addresses of the directors: Please use applicable individual form

Signature of authorized signatories

1) ____________________________
   (Name)

2) ____________________________
   (Name)

3) ____________________________
   (Name)

*Officially valid document* is defined to mean the passport, the driving license, the permanent account number card, the Voter's Identity Card issued by the Election Commission of India ,Aadhar Card/ Letter issued by Unique Identification Authority of India containing details of name, address and Aadhar Number or any other document as may be required by the HUDCO.
HOUSING & URBAN DEVELOPMENT CORPORATION LTD

KNOW YOUR CUSTOMER FORM (PARTNERSHIP FIRMS - BORROWER)
FORM-A3

1) Legal Name of the partnership firm

2) Address (with telephone and fax nos.)

Documents in support (copies attested by Notary):

(i) Registration Certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document* identifying the partners and the person holding the Power of Attorney and their address (v) Telephone bill in the name of firm/partners (vi) PAN allotment letter.

3) Names of all partners and their addresses: Please use applicable individual form

Signature of all partners

1) ____________________________
   (Name)

2) ____________________________
   (Name)

3) ____________________________
   (Name)

*Officially valid document* is defined to mean the passport, the driving license, the permanent account number card, the Voter's Identity Card issued by the Election Commission of India, Aadhar Card/ Letter issued by Unique Identification Authority of India containing details of name, address and Aadhar Number or any other document as may be required by the HUDCO.
1) Legal Name of the trust/foundation

2) Address (with telephone and fax nos.)

Documents in support (copies attested by Notary):

(i) Registration Certificate, if registered trust deed (ii) Power of Attorney granted to transact business on its behalf (iii) Any officially valid document* identifying the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/managers/directors and their address (iv) resolution of the managing body of the foundation/association (v) Telephone bill (vi) PAN (otherwise exemption certificate issued by IT authorities)

3) Names and address of the founder, the managers/directors, trustees, settlers, beneficiaries and signatories: Please use applicable individual form

Signature of authorized signatories

1) ______________________________
   (Name)

2) ______________________________
   (Name)

3) ______________________________
   (Name)

*Officially valid document* is defined to mean the passport, the driving license, the permanent account number card, the Voter’s Identity Card issued by the Election Commission of India, Aadhar Card/ Letter issued by Unique Identification Authority of India containing details of name, address and Aadhar Number or any other document as may be required by HUDCO.