



Shubham Housing Development Finance Company Limited

POLICY ON KNOW YOUR CUSTOMER (KYC) GUIDELINES AND ANTI MONEY LAUNDERING (AML) MEASURES

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Preamble

This document details the Know Your Customer (KYC) guidelines and Anti-Money Laundering measures followed by the Shubham Housing Development Finance Company Limited ("SHDFC") and amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, in accordance with the guidelines issued by National Housing Bank (NHB) or Reserve Bank of India (RBI).

Further, vide circular No. RBI/2019-20/235 DOR.NBFC (HFC). CC. No.111/03.10.136/2019-20 issued by the Reserve Bank of India (RBI) on May 19, 2020, it was decided by the RBI to extend the Master Directions know your Customer (KYC) Direction, 2016 to all the HFCs and Instructions/ guidelines/ regulations contained in the circulars issued by National Housing Bank stand repealed. In relation to this instruction, SHDFC has implemented its KYC and AML policy as per the provisions mentioned in circular no. RBI/DBR/2015-16/18 Master Direction DBR.AML.BC.No.81/14.01.001/2015- 16 related to "Master Direction - Know Your Customer (KYC) Direction, 2016".

This policy will be reviewed annually or based on any material change in the regulatory requirements or business operations of the Company.

Definitions

In these Guidelines, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them below: -

A.) Terms bearing meaning assigned in terms of Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005:

I. **"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'.

Explanation 1: *In terms of the Aadhaar Act, every resident shall be eligible to obtain an Aadhaar number.*

Explanation 2: *Aadhaar will be the document for identity and address.*

II. **"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.

III. **"Authentication"**, as defined under sub-section (c) of section 2 of the Aadhaar Act, means the process by which the Aadhaar number along with demographic information of an individual is submitted to the Central Identities Data Repository (CIDR) for its verification and such Repository verifies the correctness, or the lack thereof, based on information available with it.

IV. **Beneficial Owner (BO):**

- **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-

“Controlling ownership interest” means ownership of/entitlement to more than 10 per cent of the shares or capital or profits of the Company.

“Control” shall include the right to appoint majority of the directors or to control the management or policy decisions including by their shareholding or management rights or shareholder’s agreements or voting agreements.

- **Where the customer is a partnership firm**, the BO 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.

Explanation –

For the purpose of this sub-clause, “control” shall include the right to control the management or policy decision.

- **Where the customer is an Unincorporated Association or Body of Individuals**, the BO 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. Term 'Body of Individuals' includes Societies. Where no natural person is identified under (a), (b) or (c) above, the BO is the relevant natural person who holds the position of Senior Managing Official.
- **Where the customer is a trust**, the identification of BO shall include identification of the author of the trust, the trustee, the beneficiaries with 10% 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.
- **There are few exemptions from identification of BO:** The exemption from BO identification is aligned with that provided in the PML Rules, 2005, such that where the customer or the owner of the controlling interest is (i) an entity listed on a stock exchange in India, or (ii) is an entity resident in jurisdictions notified by the Central Government and listed on stock exchanges in such jurisdictions, or (iii) is a subsidiary of such listed entities; it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such an entity.

- V. **“Certified Copy”** - Obtaining a certified copy by the SHDFC shall mean comparing the copy of the proof of possession 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 authorized officer of the company as per the provisions contained in the Act. Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as

defined in Foreign Exchange Management (Deposit) Regulations, 2016 [FEMA 5(R)], alternatively, the original certified copy, certified by any one of the following, may be obtained:

- a.) Authorized officials of overseas branches of Scheduled Commercial Banks registered in India,
- b.) branches of overseas banks with whom Indian banks have relationships,
- c.) Notary Public abroad,
- d.) Court Magistrate,
- e.) Judge,
- f.) Indian Embassy/Consulate General in the country where the non-resident customer resides.

- VI. **"Central KYC Records Registry"** (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- VII. **"Designated Director"** means a person designated by the SHDFC to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include person designated by the SHDFC to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall include: the Managing Director or a whole-time Director, duly authorized by the Board of Directors.

Explanation - For the purpose of this clause, the terms "Managing Director" and "Whole- time Director" shall have the meaning assigned to them in the Companies Act, 2013 (as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).

- VIII. **"Digital KYC"** means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorized officer of the SHDFC as per the provisions contained in the Act.
- IX. **"Digital Signature"** shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000(as amended from time to time, including any statutory modification(s) or re-enactment(s) thereof, for the time being in force).
- X. **"Equivalent e-document"** means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016 (as amended from time to time, including any statutory modification(s) or reenactment(s) thereof, for the time being in force).
- XI. **"KYC identifiers"** means unique number or code assigned to a customer by the Central KYC Records Registry

XII. **“Non-profit organizations” (NPO)** means any entity or organisation, constituted for religious or charitable purposes referred to in clause (15) of section 2 of the Income-tax Act, 1961 (43 of 1961), that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013 (18 of 2013).

XIII. **“Officially Valid Document” (OVD)** means.

- Passport
- Driving license
- Proof of possession of Aadhaar number
- Voter’s Identity Card issued by the Election Commission of India
- Job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address.

Provided that,

a. where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India (UIDAI).

b. where the OVD furnished by the customer does not have updated address, the following documents, or the equivalent e-documents there of shall be deemed to be OVDs for the limited purpose of proof of address: -

- 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 they contain the address.
- Letter of allotment of accommodation from employer issued by State Government or Central Government 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.

The customer shall submit OVD with current address within a period of three months of submitting the documents specified at ‘b’ above.

where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address.

Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

XIV. **“Offline verification”** shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies,

Benefits and Services) Act, 2016 (18 of 2016).

- XV. **"Person"** has the same meaning as defined in the Act and includes:
- a. an individual,
 - b. a Hindu undivided family,
 - c. a company,
 - d. a 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 - e),
 - g. and any agency, office or branch owned or controlled by any of the above persons (a to f).
- XVI. **"Principal Officer"** means "Principal Officer" an officer the management level nominated by the SHDFC responsible for furnishing information as per rule 8 of the Rules.
- XVII. **"Suspicious Transaction"** means a "transaction" as defined below, including an attempted transaction, whether 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 not have 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.
- Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism.
- XVIII. **"Transaction"** means a purchase, sale, loan, pledge, gift, transfer, delivery, or the arrangement thereof and includes:
- a. opening of an account.
 - b. deposit, 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 non-physical means.
 - c. the use of a safety deposit box or any other form of safe deposit.
 - d. entering any fiduciary relationship.
 - e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or
 - f. establishing or creating a legal person or legal arrangement.
- XIX. **"Video based Customer Identification Process (V-CIP)"**: method of customer identification by an official of the SHDFC by undertaking seamless, secure, real-time, consent based audiovisual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the

customer. Such process shall be treated as face-to-face process for the purpose of this Master Direction.

B.) Terms bearing meaning assigned in this Directions, unless the context otherwise requires, shall bear the meanings assigned to them below

- I. **“Common Reporting Standards” (CRS)** means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.
- II. **“Customer”** means a person who is engaged in a financial transaction or activity with a SHDFC and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.
- III. **“Walk-in Customer”** means a person who does not have an account-based relationship with the SHDFC but undertakes transactions with the SHDFC.
- IV. **“Customer Due Diligence (CDD)”** means identifying and verifying the customer and the beneficial owner using reliable and independent sources of identification.

Explanation – The CDD, at the time of commencement of an account-based relationship or while carrying out occasional 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 any international money transfer operations, shall include:

Identification of the customer, verification of their identity using reliable and independent sources of identification, obtaining information on the purpose, and intended nature of the business relationship, where applicable.

Taking reasonable steps to understand the nature of the customer's business, and its ownership and control.

Determining whether a customer is acting on behalf of a beneficial owner and identifying the beneficial owner and taking all steps to verify the identity of the beneficial owner, using reliable and independent sources of identification.
- V. **“Customer identification”** means undertaking the process of CDD.
- VI. **“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.
- VII. **“IGA”** means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
- VIII. **“KYC Templates”** means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

- IX. “Non-face-to-face customers”** means customers who open accounts without visiting the branch/offices of the SHDFC or meeting the officials of SHDFC.
- X. “On-going Due Diligence”** means regular monitoring of transactions in accounts to ensure that those are consistent with SHDFC’s knowledge about the customers, customers’ business and risk profile and source of funds/wealth.
- XI. “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 Reserve Bank.
- XII. “Politically Exposed Persons” (PEPs)** are individuals who are or have been entrusted with prominent public functions in a foreign country, including the Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials.
- XIII. “Shell bank”** Shell bank means a bank that has no physical presence in the country in which it is incorporated and licensed, and which is unaffiliated with a regulated financial group that is subject to effective consolidated supervision. Physical presence means meaningful mind and management located within a country. The existence simply of a local agent or low-level staff does not constitute physical presence”.
- XIV. “Group”** – The term “group” shall have the same meaning assigned to it in clause (e) of subsection (9) of section 286 of the Income-tax Act, 1961 (43 of 1961).

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Know Your Customer Policy (KYC)

The KYC policy of SHDFC include four key elements:

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

Money Laundering and Terrorist Financing Risk Assessment

- I. SHDFC 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 for clients, countries or geographic areas, products, services, transactions, or delivery channels, etc. The assessment process will consider all the relevant risk factors before determining the level of overall risk and the appropriate level and type of mitigation to be applied. While preparing the internal risk assessment, company shall take cognizance of the overall sector-specific vulnerabilities, if any, that the regulator/supervisor may share with company from time to time.
- II. The risk assessment will be properly documented and be proportionate to the nature, size, geographical presence, complexity of activities/structure, etc. Further, the periodicity of risk assessment exercise shall be determined by the Board or any committee of the Board to which power in this regard has been delegated in alignment with the outcome of the risk assessment exercise. However, it shall be reviewed annually.
- III. The outcome of the exercise shall be put up to the Risk Management Committee to which power in this regard has been delegated and shall be available to competent authorities and self-regulating bodies.

SHDFC will apply a Risk Based Approach (RBA) for mitigation and management of the risks (identified on their own or through national risk assessment) and should have Board approved policies, controls and procedures in this regard. And shall implement a CDD programme, having regard to the ML/TF risks identified and the size of business. Further, Shubham shall monitor the implementation of the controls and enhance them if necessary.

Designated Director

"Designated Director" means a person designated by the RE to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board. SHDFC has designated Director and CEO, as "Designated Director" located at our Corporate Office. Designated Director shall be responsible to ensure overall compliance with obligations imposed under Chapter IV of the Prevention of Money Laundering Act, 2002. The Designated Director shall have authority to consider, review, and approve various procedures required for the implementation of this Policy.

Principal Officer

SHDFC has designated, Head - Credit & Service as '**Principal Officer**' located at our Corporate Office. Principal Officer shall be responsible for ensuring compliance, monitoring transactions and Ms. Neeta Kamra, Chief Compliance Officer as 'Alternate Principal Officer' to ensure sharing and reporting information with the Regulatory Authorities as required under the Law/ Regulations respectively.

Responsibilities of the Principal Officer ("PO") shall be as under:

- (a) The PO shall initiate amendments to the Policy based on the latest applicable provisions of the PMLA, the PML Rules and RBI KYC Directions, as and when required.

- (b) The PO, with the assistance of relevant functions, shall recommend and put in place relevant procedures required for implementation of this Policy.
- (c) To ensure reporting of transactions to the FIU-IND and sharing of the information as required under the applicable laws/ regulations.
- (d) To ensure submission of periodical reports to the Board/ Audit Committee.

Senior Management

The Senior Management of the Company shall be responsible to ensure the following:

- (a) Implementation of the KYC and AML Policy and related procedures in their respective work areas.
- (b) Decision-making functions with respect to compliance with KYC norms are not outsourced.

For this purpose, ‘**Senior Management**’ shall mean personnel of the Company who are members of its core management team, excluding Board of Directors, comprising all such persons one level below the Managing Director (“MD”)/ Executive Directors/ Chief Executive Officer (“CEO”), including the departmental heads

Compliance of KYC Policy

SHDFC shall ensure compliance with KYC policy. To ensure compliance with company’s KYC policy, the company will undertake the following steps:

- a. CEO/Jt MD/Head- Credit and Service/Chief Business Officer will be the Senior Management for the purpose of KYC compliances.
- b. The scope of Internal Audit will also cover to verify the compliance with KYC/ALM policies and procedure.
- c. independent evaluation of the compliance functions of SHDFC policies and procedures including legal and regulatory requirements.
- d. concurrent/internal audit system to verify the compliance with KYC/Anti-Money Laundering (AML) policies and procedures.
- e. Quarterly audit reports /notes about the compliance of KYC guidelines will be submitted to Audit Committee for their information and decisions in the matter.

SHDFC ensured that decision-making functions of determining compliance with KYC norms are not outsourced.

All employees and agents/ representatives of the Company, while delivering their official responsibilities, shall have the responsibility to ensure compliance with this KYC and AML Policy and other procedures put in place by the Company for implementation of the Policy.

Customer Acceptance Policy (CAP)

Without prejudice to the generality of the aspect that Customer Acceptance Policy may contain, SHDFC shall ensure that.

- a.) No account is opened in anonymous or fictitious/benami name.
- b.) No account is opened where the SHDFC is unable to apply appropriate CDD measures, either due to non-cooperation of the customer or non-reliability of the documents/information furnished by the customer. It shall consider filing an STR, if necessary, when it is unable to comply with the relevant CDD measures in relation to the customer.
- c.) No transaction or account-based relationship is undertaken without following the CDD procedure.
- d.) The mandatory information to be sought for KYC purpose while opening an account and during the periodic updation, is specified.
- e.) 'Optional'/additional information is obtained with the explicit consent of the customer after the account is opened.
- f.) SHDFC shall apply the CDD procedure at the UCIC level. Thus, if an existing KYC compliant customer of a SHDFC desires to open another account with SHDFC, there shall be no need for a fresh CDD exercise as far as identification of the customer is concerned
- g.) CDD Procedure is followed for all the joint account holders, while opening a joint account.
- h.) Circumstances in which, a customer is permitted to act on behalf of another person/entity, is clearly spelt out.
- i.) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists circulated by Reserve Bank of India.
- j.) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- k.) Where an equivalent e-document is obtained from the customer, SHDFC shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000).
- l.) Additional information, where such information requirement has not been specified in the internal KYC Policy it, is obtained with the explicit consent of the customer.
- m.) Suitable system is put in place to ensure that the identity of the customer does not match with any person or entity, whose name appears in the sanctions lists.
- n.) Where Permanent Account Number (PAN) is obtained, the same shall be verified from the verification facility of the issuing authority.
- o.) Where an equivalent e-document is obtained from the customer, verify the digital signature as per the provisions of the Information Technology.
- p.) Where GST number is available, the same shall be verified through the search/verification facility provided by the issuing authority.
- q.) Where 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.
- r.) SHDFC shall ensure that the customer acceptance policy shall not result in denial of banking/financial facility to members of the public, especially those, who are financially or socially disadvantaged.

Risk Management

For Risk Management, SHDFC shall have a risk-based approach which includes the following.

i.) SHDFC customers shall be categorized as low, medium, and high-risk category, based on the assessment and risk perception of the Company.

ii. Risk categorization shall be undertaken based on parameters such as customer's identity, social/financial status, nature of business activity, and information about the clients' business and their location etc. 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.

Provided that various other information collected from different categories of customers relating to the perceived risk, is non-intrusive and the same is specified in the KYC policy.

Explanation: FATF Public Statement, the reports and guidance notes on KYC/AML issued by the Indian Banks Association (IBA), guidance note circulated to all cooperative banks by the RBI etc., may also be used in risk assessment.

For applying the guidelines for identification and underwriting of customers, they will be broadly divided into low, medium, and high-risk categories as follows:

a. Low Risk: For 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. In addition to this, Individuals or entities whose source of wealth can be established through reference checks and verification and the loan amount is upto 10 lacs shall be categorised as low risk Illustrative examples of low-risk customers are:

- a. Salaried employees whose salary structures are well defined, and salary is paid by cheque
- b. People belonging to government departments, Public Sector Units, Public Limited Companies, Multinational Companies etc.
- c. Self-employed customers with proper income documents such as ITR, P&L and Balance sheets etc.
- d. Cash salaried and self employed customers, where income is verified through reliable sources and the loan amount is less than or equal to 10 lacs

b. Medium Risk: Individuals or entities whose source of wealth can be established through reference checks and verification and the loan amount is greater than 10 lacs shall be categorised as medium risk. Illustrative examples of medium risk customers are:

- a. Salaried applicants working with Private Companies or small enterprises, where the income is verified with the employer.
- b. Contractually employed applicants with variable income/unstructured income where the income is verified with the principal / primary source of income.
- c. 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.

c. **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.

- a. Politically Exposed persons
- b. Trusts
- c. NGOs
- d. HUFs

Monitoring Risk Categorisation

A six-monthly review will be carried out of all the loans to determine the changes in behaviour of any loan vis-à-vis the initial risk categorization. This will be done in the month of April and October 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 Chief Executive Officer/Joint Managing Director of the company. The parameters for risk categorization may include geographical risk covering customers as well as transactions, type of products/services offered, delivery channel used for delivery of products/services, types of transaction undertaken, etc. The risk categorization and reasons for risk categorization of customers to be treated as confidential and shall not be revealed to the customer to avoid tipping off the customer.

Customer Identification Procedure (CIP)

(i) SHDFC shall undertake identification of customers in the following cases:

- Commencement of an account-based relationship with the customer.
- When there is a doubt about the authenticity or adequacy of the customer identification data it has obtained.
- Selling third party products as agents, selling its own products, and any other product for more than rupees fifty thousand.
- When SHDFC has a reason to believe that a customer (account- based or walk-in) is intentionally structuring a transaction into a series of transactions below the threshold of rupees fifty thousand.
- SHDFC shall ensure that introduction is not to be sought while opening accounts.

(ii) For the purpose of verifying the identity of customers at the time of commencement of an account-based relationship, SHDFC shall at their option rely on CDD done by a third party, subject to the following conditions:

- Records or the information of the customer due diligence carried out by the third party is obtained immediately from the third party or from the Central KYC Records Registry.

- Adequate steps are taken by the Company to satisfy itself that copies of identification data and other relevant documentation relating to the customer due diligence requirements shall be made available from the third party upon request without delay.
- The third party is regulated, supervised, or monitored for, and has measures in place for, compliance with customer due-diligence and record-keeping requirements in line with the requirements and obligations under the Prevention of Money-Laundering Act.
- The third party shall not be based in a country or jurisdiction assessed as high risk.

The ultimate responsibility for CDD, including done by a third party and undertaking enhanced due-diligence measures as applicable, shall rest with the SHDFC.

Customer Due Diligence (CDD) procedure

Following are the procedure for obtaining identification of customers:

Part 1: Customer Due Diligence (CDD) Procedure in case of Individuals

While undertaking CDD, SHDFC will 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:

a.) the Aadhaar number where

- i) Customer is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
- ii) Customer decides to submit his Aadhaar number voluntarily to SHDFC notified under first proviso to sub-section (1) of section 11A of the PML Act; or
 - (aa) the proof of possession of Aadhaar number where offline verification can be carried out; or
 - (ab) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and

b.) the Permanent Account Number (PAN) or Form No. 60 as defined in Income-tax Rules, 1962, as amended from time to time.

c.) 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 the company.

Provided that where the customer has submitted,

- i.) Aadhaar number under clause (a) above to SHDFC notified under first proviso to sub-section (1) of section 11A of the PML Act, company shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity

information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the SHDFC.

- ii) proof of possession of Aadhaar under clause (aa) above where offline verification can be carried out, SHDFC shall carry out offline verification.
- iii) an equivalent e-document of any OVD, the RE shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I.
- iv) any OVD or proof of possession of Aadhaar number under clause (ab) above where offline verification cannot be carried out, the company shall carry out verification through digital KYC as specified under Annex I.

Provided that for a period not beyond such date as may be notified by the Government for a class of company, instead of carrying out digital KYC, the company pertaining to such class may obtain a certified copy of the proof of possession of Aadhaar number or the OVD and a recent photograph where an equivalent e document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, SHDFC shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer.

CDD done in this manner shall invariably be carried out by an official of the SHDFC and such exception handling shall also be a part of the concurrent audit as mandated in Section 8. SHDFC shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the SHDFC and shall be available for supervisory review.

Explanation 1: SHDFC shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

KYC Identifier with explicit customer consent to download KYC records from CKYCR, can be obtained for the purpose of CDD

Part 2: CDD Measures for Sole Proprietary Firms

For opening an account in the name of a sole proprietary firm, CDD of the individual (proprietor) shall be carried out.

In addition to the above, any two of the following documents or the equivalent e-documents thereof as a proof of business/ activity in the name of the proprietary firm shall also be obtained:

- a. Registration certificate. as a proof of business/ activity in the name of the proprietary firm includes "Udyam Registration Certificate (URC) issued by the Government".
- b. Certificate/license issued by the municipal authorities under Shop and Establishment Act. c. Sales and income tax returns.
- d. CST/VAT/GST certificate (provisional/ final).
- e. Certificate/registration document issued by Sales Tax/Service Tax/Professional Tax authorities.
- f. I.E.C (Importer Exporter Code) issued to the proprietary concern by the office of DGFT/License/certificate of Practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- g. 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. h. Utility bills such as electricity, water, and landline telephone bills.

In cases where the SHDFC is satisfied that it is not possible to furnish two such documents, SHDFC may at their discretion, accept only one of those documents as proof of business/activity.

Provided SHDFC undertake contact point verification and collect such other information and clarification as would be required to establish the existence of such firm, and shall confirm and satisfy itself that the business activity has been verified from the address of the proprietary concern.

Part 3: CDD Measures for Legal Entities

1.) For opening an account of a company, one certified copy of each of the following documents shall be obtained:

- a. Certificate of incorporation
- b. Memorandum and Articles of Association
- c. PAN of the company
- d. A resolution from the Board of Directors and power of attorney granted to its managers, officers or employees to transact on its behalf
- e. One copy of an OVD containing details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- f. the names of the relevant persons holding senior management position
- g. the registered office and the principal place of its business, if it is different.

2.) For opening an account of a partnership firm, one certified copy of each of the following documents shall be obtained:

- a. Registration certificate
- b. Partnership deed

- c. PAN of the partnership firm
- d. one copy of an OVD containing details of identity and address, one recent photograph and Permanent Account Numbers of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- e. the names of all the partners
- f. address of the registered office, and the principal place of its business, if it is different

3.) For opening an account of a trust, one certified copy of each of the following documents shall be obtained:

- a. Registration certificate
- b. Trust deed
- c. Permanent Account Number or Form No.60 of the trust
- d. one copy of an OVD containing details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf.
- e. the names of the beneficiaries, trustees, settlor, protectors and authors of the trust.
- f. address of the registered office, and the principal place of its business, if it is different
- g. the address of the registered office of the trust
- h. list of trustees and documents, as specified in Section 16, for those discharging role as trustee and authorised to transact on behalf of the trust.
- i. Provided that in case of a trust, SHDFC shall ensure that trustees disclose their status at the time of commencement of an account-based relationship or when carrying out transactions

4.) For opening an account of an unincorporated association or a body of individuals, one certified copy of each of the following documents shall be obtained:

- a. Resolution of the managing body of such association or body of individuals
- b. PAN or Form No.60 of the unincorporated association or a body of individuals
- c. power of attorney granted to transact on its behalf
- d. one copy of an OVD containing details of identity and address, one recent photograph and PANs of Form 60 of the managers, officers or employees, as the case may be, holding an attorney to transact on its behalf identification information as mentioned under
- e. Such information as may be required by the SHDFC to collectively establish the legal existence of such an association or body of individuals.

Explanation - Unregistered trusts/partnership firms shall be included under the term 'unincorporated association' and the term 'body of individuals, includes societies.

5.) For opening accounts of juridical persons not specifically covered in the earlier part, such as Government its Departments, societies, universities and local bodies like village panchayats, one certified copy of the following documents shall be obtained:

- a. Document showing name of the person authorized to act on behalf of the entity
- b. Aadhaar/PAN/ OVD for proof of identity and address in respect of the person holding an attorney to transact on its behalf and

- c. Such documents as may be required by the HFC to establish the legal existence of such an entity/juridical person.

Part-4: CDD Measures for Identification of Beneficial Owner

For opening an account of a Legal Person who is not a natural person, the beneficial owner(s) shall be identified and all reasonable steps in terms of sub-rule 3 of Rule (9) of the Rules to verify his/her identity shall be undertaken keeping in view the following:

- a. Where the customer or the owner of the controlling interest is a company listed on a stock exchange, or is a subsidiary of such a company, it is not necessary to identify and verify the identity of any shareholder or beneficial owner of such companies.
- b. In cases of trust/nominee or fiduciary accounts whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary is determined. In such cases, satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also details of the nature of the trust or other arrangements in place shall be obtained.

3 D. ON GOING DUE DILIGENCE

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/variable instalment paid through electronic clearing system (ECS/NACH) 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 Rs 50,00,000/-, 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:

- a. Risk categorization as is mentioned in this policy may be updated as and when required by the management.
- b. 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.
- c. 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.
- d. The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of Rule 3 of the PML (maintenance of records) Rules 2005. In terms of the provisions of Rule 8 of PML (maintenance of records) Rules 2005, 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 and sub-rule (1) of Rule 3 of the said Rules, is reported to the appropriate law

enforcement authority (Director FIU-IND) within the prescribed time and such Form, as and when detected by our officials through the Principal Officer. The company however, will not be needing to submit “Nil” reports where there are no cash/suspicious transactions, during a particular period.

e) Appropriate innovations including artificial intelligence and machine learning (AI & ML) to support effective monitoring can be considered for ongoing due diligence.

Updation/Periodic Updation

SHDFC shall adopt a risk-based approach for periodic updation of KYC ensuring that the information or data collected under CDD is kept up-to-date and relevant, particularly where there is high risk. Periodic KYC updation 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:

SHDFC shall carry out:

- a.) PAN verification from the verification facility available with the issuing authority and
 - b.) Authentication, of Aadhaar Number already available with the SHDFC with the explicit consent of the customer in applicable cases.
 - c.) In case identification information available with Aadhaar does not contain current address an OVD containing current address may be obtained.
 - d.) No change in KYC information: In case of no change in the KYC information, a self-declaration from the customer in this regard shall be obtained through customer’s email-id registered, customer’s mobile number registered letter, etc
 - e.) Change in address: In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer’s email-id registered, customer’s mobile number registered, and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, etc. Further, a copy of OVD or deemed OVD, or the equivalent e-documents thereof, the purpose of proof of address, declared by the customer at the time of updation/ periodic updation must be obtained.
- d) Aadhaar OTP based e-KYC in non-face to face mode to be used for updation/periodic updation.

Declaration of current address, if the current address is different from the address in Aadhaar, shall not require positive confirmation in this case. however, ensure that the mobile number for Aadhaar authentication is same as the one available with the customer’s profile, in order to prevent any fraud.

e.) Certified copy of OVD containing identity and address shall be obtained 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.

In case of Legal entities, SHDFC shall review the documents sought at the time of opening of account and obtain fresh certified copies.

- a.) SHDFC shall not insist on the 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. Normally, OVD / Consent forwarded by the customer through mail/ post, etc., shall be acceptable.
- b.) SHDFC shall ensure to provide acknowledgment with date of having performed KYC updation/periodic updation Further, it shall be ensured that the information / documents obtained from the customers at the time of updation/ periodic updation of KYC are promptly updated in the records / database and an intimation, mentioning the date of updation of KYC details, is provided to the customer
- c.) In order to ensure customer convenience, Shubham may consider making available the facility of updation/ periodic updation of KYC at any branch,

No change in KYC information: In case of no change in the KYC information of the customer, a self declaration in this regard shall be obtained from the customer through its email id registered), letter from an official authorized in this regard, board resolution, etc. Further, Shubham shall ensure during this process that Beneficial Ownership (BO) information available with them is accurate and shall update the same, if required, to keep it as up-to-date as possible.

Change in KYC information: Change in address: In case of a change only in the address details of the customer, a self-declaration of the new address shall be obtained from the customer through customer's email-id registered, customer's mobile number registered, and the declared address shall be verified through positive confirmation within two months, by means such as address verification letter, contact point verification, etc. Further, a copy of OVD or deemed OVD, or the equivalent e-documents thereof, the purpose of proof of address, declared by the customer at the time of updation/ periodic updation must be obtained. In case of change in KYC information, Shubham shall undertake the KYC process equivalent to that applicable for onboarding a new LE customer.

Provided further that if a customer having an existing account-based relationship with SHDFC and gives in writing to the SHDFC that he does not want to submit his Permanent Account Number or equivalent e-document thereof or Form No.60, SHDFC 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.

Explanation – For the purpose of this Section, “temporary ceasing of operations” in relation an account shall mean the temporary suspension of all transactions or activities in relation to that account by the SHDFC till such time the customer complies with the provisions of this Section.

- d.) Instructions on obligation of customers in terms of the requirements of PML Rules, Company shall advise the customers that in order to comply with the PML Rules, in case of any update in the documents submitted by the customer at the time of establishment of business relationship / account based relationship and thereafter, as necessary, customers shall submit the update of such documents. This shall be done within 30 days of the update to the documents for the purpose of updating the records.

Due Notices for Periodic Updation of KYC

Shubham shall intimate its customers, in advance, to update their KYC documents/ information. Shubham, prior to the due date of periodic updation of KYC, shall give at least three advance intimations, including at least one intimation by letter, at appropriate intervals to its customers through available communication options/ channels for complying with the requirement of periodic updation of KYC documents/ information.

Subsequent to the due date, Shubham shall give at least three reminders, including at least one reminder by letter, at appropriate intervals, to such customers who have still not complied with the requirements, despite notices/ intimations. The letter of intimation/ reminder shall, inter alia, contain easy to understand instructions for updating KYC, escalation mechanism for seeking help, if required, and the consequences, if any, of failure to update their KYC in time.

Further, issue of such advance intimation/ reminder shall be duly recorded by the Company for audit trail.

4. ENHANCED AND SIMPLIFIED DUE DILIGENCE

Accounts of politically exposed person (PEPs)

SHDFC will ensure an option of establishing a relationship with PEPs (whether as customer or beneficial owner) provided that, apart from performing normal customer due diligence:

- a) sufficient information including information about the sources of funds, accounts of family members and close relatives is gathered on the PEP.
- b) the identity of the person shall have been verified before accepting the PEP as a customer.
- c) the decision to open an account for a PEP is taken at a senior management in accordance with the Customer Acceptance Policy
- d) all such accounts are subject to enhanced monitoring on an on-going basis.
- e) in the event of in the event of an existing customer or the beneficial owner of an existing account subsequently becoming a PEP, senior management's approval is obtained to continue the business relationship.
- f) The CDD measures as applicable to PEPs including enhanced monitoring on an on-going basis are applicable.

- g) There is in place appropriate risk management systems to determine whether the customer or the beneficial owner is a PEP.
- h) Reasonable measures are taken for establishing the source of funds / wealth.

These instructions shall also be applicable to family members or close associates of PEPs.

Enhanced Due diligence (non-face to face customer onboarding) to verify the current address through positive confirmation before allowing operations in the account, PAN shall be obtained from the customer and shall be verified, customers shall be categorized as high-risk customers and accounts opened in nonface to face mode shall be subjected to enhanced monitoring until the identity of the customer is verified in face-to-face manner or through V-CIP, etc.

Record Management

The following steps shall be taken regarding maintenance, preservation and reporting of customer account information, with reference to provisions of Act and Rules. SHDFC shall,

- Maintain all necessary records of transactions between the SDFC and the customer, both domestic and international, for at least five years from the date of transaction.
- Preserve the records pertaining to the identification of the customers and their addresses obtained while opening the account and during business relationship and updated records of the identification data, account files, business correspondence and results of any analysis undertaken for at least five years after the business relationship is ended.
- Make available the identification records and transaction data to the competent authorities upon request.
- Introduce a system of maintaining proper record of transactions prescribed under Rule 3 of
- Prevention of Money Laundering (Maintenance of Records) Rules, 2005 (PML Rules, 2005).
- Maintain all necessary information in respect of transactions prescribed under PML Rule 3 so as to permit reconstruction of individual transaction, including 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 and the parties to the transaction.
- Evolve a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.
- Maintain records of the identity and address of their customer, and records in respect of transactions referred to in Rule 3 in hard or soft format.
- In case of customers who are non-profit organisations, the details of such customers to be registered on the DARPAN Portal of NITI Aayog. If such customers are not registered, Shubham shall register the details on the DARPAN Portal. Also maintain such registration records for a

period of five years after the business relationship with the customer has ended or the account has been closed, whichever is later.

Reporting Requirements to Financial Intelligence Unit - India

SHDFC shall furnish to the Director, Financial Intelligence Unit-India (FIU-IND), information referred to in Rule 3 of the PML (Maintenance of Records) Rules, 2005 in terms of Rule 7 thereof.

Explanation: In terms of Third Amendment Rules notified September 22, 2015 regarding amendment to sub rule 3 and 4 of rule 7, Director, FIU-IND shall have powers to issue guidelines to the SHDFC for detecting transactions referred to in various clauses of sub-rule (1) of rule 3, to direct them about the form of furnishing information and to specify the procedure and the manner of furnishing information.

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. The editable electronic utilities to file electronic Cash Transaction Reports (CTR) / Suspicious Transaction Reports (STR) which FIU-IND has placed on its website shall be made use of by SHDFC which are yet to install/adopt suitable technological tools for extracting CTR/STR from their live transaction data.

The Principal Officers of company, whose all branches are not fully computerized, shall have suitable arrangement to cull out the transaction details from branches which are not yet computerized and to feed the data into an electronic file with the help of the editable electronic utilities of CTR/STR as have been made available by FIU-IND on its website <http://fiuindia.gov.in>

While furnishing information to the Director, FIU-IND, delay of each day in not reporting a transaction or delay of each day in rectifying a mis-represented transaction beyond the time limit as specified in the Rule shall be constituted as a separate violation. SHDFC shall not put any restriction on operations in the accounts where an STR has been filed. SHDFC shall keep the fact of furnishing of STR strictly confidential. It shall be ensured that there is no tipping off to the customer at any level.

Directors, officers, and all employees shall ensure that the fact of maintenance of records referred to in PML (Maintenance of Records) Rules, 2005 and furnishing of the information to the Director is confidential. However, such confidentiality requirement shall not inhibit sharing of information under any analysis of transactions and activities which appear unusual, if any such analysis has been done.

SHDFC will fetch the reports through automated accounting software. The alerts will be monitored manually by a defined resource.

While ensuring compliance of the legal/regulatory requirements adoption of best international practices taking into account the FATF standards and FATF guidance notes, for managing risks better must be considered.

Requirement/Obligations Under International Agreements - Communications from International Agencies

- a. SHDFC shall ensure that in terms of Section 51A of the Unlawful Activities (Prevention) (UAPA) Act, 1967 and amendments thereto, they do not have any account in the name of individuals/entities appearing in the lists of individuals and entities, suspected of having links, which are approved by and periodically circulated by the United Nations Security Council (UNSC). This shall be verified on a daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account for meticulous compliance. The extant provisions relating to the Unlawful Activities (Prevention) Act, 1967 (UAPA), in Chapter IX have been consolidated in Section 51
- b. The details of the two lists are as under:
 - a. **The “ISIL (Da’esh) & Al-Qaida Sanctions List”**, established and maintained pursuant to Security Council resolutions 1267/1989/2253, which includes names of individuals and entities associated with the Al-Qaida is available at <https://scsanctions.un.org/ohz5jen-al-qaida.html>ii.)
 - b. **The “Taliban Sanctions List”**, established and maintained pursuant to Security Council resolution 1988 (2011), which includes names of individuals and entities associated with the Taliban is available at <https://scsanctions.un.org/3ppp1en-taliban.html> Shubham shall also ensure to refer to the lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time. The aforementioned lists, i.e., UNSC Sanctions Lists and lists as available in the Schedules to the Prevention and Suppression of Terrorism (Implementation of Security Council Resolutions) Order, 2007, as amended from time to time, shall be verified on daily basis and any modifications to the lists in terms of additions, deletions or other changes shall be taken into account for meticulous compliance.
- c. Details of accounts resembling any of the individuals/entities in the lists shall be reported to FIUIND apart from advising Ministry of Home Affairs (MHA) as required under UAPA notification dated 105February 2, 2021 (Annex II of this Master Direction).
- d. Freezing of Assets under Section 51A of UAPA, 1967: The procedure laid down in the UAPA Order dated 106February 2, 2021 (Annex II of this Master Direction) shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured. The list of Nodal Officers for UAPA is available on the website of MHA.
- e. Procedure for Implementation of Section 12A of the Weapons of Mass Destruction (WMD) and Delivery Systems (Prohibition of Unlawful Activities) Act, 2005 (WMD Act, 2005)”, issued by the
- f. Ministry of Finance, Government of India, for meticulous compliance,
- g. SHDFC shall ensure not to carry out transactions in case the particulars of the individual /entity match with the particulars in the designated list.
- h. Further to check on the given parameters, at the time of establishing a relation with a customer and on a periodic basis to verify whether individuals and entities in the designated list are holding any funds, financial asset, etc., in the form of bank account, etc.

- i. In case of match in the above cases, immediately inform the transaction details with full particulars of the funds, financial assets or economic resources involved to the Central Nodal Officer (CNO), designated as the authority to exercise powers under Section 12A of the WMD Act, 2005. A copy of the communication shall be sent to State Nodal Officer, where the account / transaction is held and to the RBI. To file an STR with FIU-IND covering all transactions in the accounts, covered above, carried through or attempted. It may be noted that in terms of Paragraph 1 of the Order, Director, FIU-India has been designated as the CNO.
- j. Refer to the designated list, as amended from time to time, available on the portal of FIU-India.
- k. In case there are reasons to believe beyond doubt, that funds or assets held by a customer would fall under the purview of clause (a) or (b) of sub-section (2) of Section 12A of the WMD Act, 2005, and prevent such individual/entity from conducting financial transactions, under intimation to the CNO by email, FAX and by post, without delay. (vi) In case an order to freeze assets under Section 12A is received from the CNO without delay, take necessary action to comply with the Order. (vii) The process of unfreezing of funds, etc., shall be carried out. Accordingly, copy of application received from an individual/entity regarding unfreezing shall be forwarded along with full details of the asset frozen, as given by the applicant, to the CNO by email, FAX and by post, within two working days. c) In addition to the above, other UNSCRs circulated by the Reserve Bank in respect of any other jurisdictions/ entities from time: "In addition to the above, take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA, 1967 and any amendments to the same for compliance with the Government orders on implementation of Section 51A of the UAPA and Section 12A of the WMD Act." d) Vide Section 52, mandated that they shall verify every day, the 'UNSCR 1718 Sanctions List of Designated Individuals and Entities', as available at <https://www.mea.gov.in/Implementation-of-UNSC-Sanctions-DPRK.htm>, to take into account any modifications to the list by way of additions, deletions or other changes and also ensure compliance with the 'Implementation of Security Council Resolution on Democratic People's Republic of Korea Order, 2017', as amended from time to time by the Central Government. 46 53A. 108
- l. In addition to the above, shall take into account – (a) other UNSCRs and (b) lists in the first schedule and the fourth schedule of UAPA, 1967 and any amendments to the same for compliance with the Government orders on implementation of Section 51A of the UAPA and Section 12A of the WMD Act.
- m. Shubham shall undertake countermeasures when called upon to do so by any international or intergovernmental organisation of which India is a member and accepted by the Central Government.
- n. Latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements to be leveraged.

Freezing of Assets under Section 51A of Unlawful Activities (Prevention) Act, 1967

The procedure laid down in the UAPA Order dated March 14, 2019 shall be strictly followed and meticulous compliance with the Order issued by the Government shall be ensured.

Jurisdictions that do not or insufficiently apply the FATF Recommendations

- a. FATF Statements circulated by Reserve Bank of India from time to time, and publicly available information, for identifying countries, which do not or insufficiently apply the FATF Recommendations, shall be considered. Shubham shall apply enhanced due diligence measures, which are effective and proportionate to the risks, to business relationships and transactions with natural and legal persons (including financial institutions) from countries for which this is called for by the FATF.
- b. Special attention shall be given to business relationships and transactions with persons (including legal persons and other financial institutions) from or in countries that do not or insufficiently apply the FATF Recommendations and jurisdictions included in FATF Statements.

Explanation: The process referred to in the above Sections a & b do not preclude SHDFC from having legitimate trade and business transactions with the countries and jurisdictions mentioned in the FATF statement.

- c. The background and purpose of transactions with persons (including legal persons and other financial institutions) from jurisdictions included in FATF Statements and countries that do not or insufficiently apply the FATF Recommendations shall be examined, and written findings together with all documents shall be retained and shall be made available to Reserve Bank/other relevant authorities, on request.
- d. Latest technological innovations and tools for effective implementation of name screening to meet the sanctions requirements to be leveraged.

Secrecy Obligations and Sharing of Information:

- a. SHDFC shall maintain secrecy regarding the customer information which arises out of the contractual relationship between the lender and customer.
- b. information collected from customers for the purpose of opening of account 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.
- c. while considering the requests for data/information from Government and other agencies, SHDFC shall satisfy themselves that the information being sought is not of such a nature as will violate the provisions of the laws relating to secrecy in transactions.
- d. the exceptions to the said rule shall be as under:
 - Where disclosure is under compulsion of law

- Where there is a duty to the public to disclose,
- the interest of bank requires disclosure and
- Where the disclosure is made with the express or implied consent of the customer.

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

- a. 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.
- b. In terms of provision of Rule 9(1A) of PML Rules, the Company shall capture customer's KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.
- c. SHDFC shall follow the Operational Guidelines for uploading the KYC data have been released by CERSAI.
- d. SHDFC shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.
- e. The 'live run' of the CKYCR started from July 15, 2016 in phased manner beginning with new 'individual accounts'. Accordingly, Scheduled Commercial Banks (SCBs) are required to invariably upload the KYC data pertaining to all new individual accounts opened on or after January 1, 2017. The Company other than SCBs were required to start uploading the KYC data pertaining to all new individual accounts opened on or after from April 1, 2017, with CKYCR in terms of the provisions of the Rules *ibid*.
- f. The Company shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records must be uploaded as per the LE Template released by CERSAI.
- g. Once KYC Identifier is generated by CKYCR, the company shall ensure that the same is communicated to the individual/LE.
- h. Company shall ensure that during periodic updation, the customers are migrated to the current CDD standard.
- i. In order to ensure that all KYC records are incrementally uploaded on to CKYCR, Shubham shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above-mentioned dates, at the time of periodic updation when the updated KYC information is obtained/received from the customer. Also, whenever Shubham obtains additional or updated information from any customer Shubham shall within seven days or within such period as may be notified by the Central Government, furnish the updated information to CKYCR, which

shall update the KYC records of the existing customer in CKYCR. CKYCR shall thereafter inform electronically all the reporting entities who have dealt with the concerned customer regarding updation of KYC record of the said customer. Once CKYCR informs Shubham regarding an update in the KYC record of an existing customer, Shubham shall retrieve the updated KYC records from CKYCR and update the KYC record maintained by it.

- j. Where a customer, for the purposes of establishing an account-based relationship, updation/ periodic updation or for verification of identity of a customer Shubham shall seek the KYC Identifier from the customer or retrieve the KYC Identifier, if available, from the CKYCR and proceed to obtain KYC records online by using such KYC Identifier and shall not require a customer to submit the same KYC records or information or any other additional identification documents or details, unless—
 - (i) there is a change in the information of the customer as existing in the records of CKYCR
 - (iii) ii) the KYC record or information retrieved is incomplete or is not as per the current applicable KYC norms Shubham considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.
 - (iv) KYC documents downloaded from the CKYCR, but whose validity has lapsed, are not to be used for KYC purpose.

A Unique Customer Identification Code (UCIC) shall be allotted while entering new relationships with individual customers as also the existing customers by the company. Company shall not issue UCIC to all walk-in/occasional customers provided it is ensured that there is adequate mechanism to identify such walk-in customers who have frequent transactions with them and ensure that they are allotted UCIC

Reporting requirement under Foreign Account Tax Compliance Act (FATCA) and Common Reporting Standards (CRS)- not applicable to SHDFC currently

Under FATCA and CRS, SHDFC will adhere to the provisions of Income Tax Rules 114F, 114G and 114H and determine whether they are a Reporting Financial Institution as defined in Income Tax Rule 114F and if so, shall take following steps for complying with the reporting requirements:

- Register on the related e-filing portal of Income Tax Department as Reporting Financial Institutions
- at the link <https://incometaxindiaefiling.gov.in/> post login --> My Account --> Register as Reporting Financial Institution.
- Submit online reports by using the digital signature of the 'Designated Director' by either uploading the Form 61B or 'NIL' report, for which, the schema prepared by Central Board of Direct Taxes (CBDT) shall be referred to.
- *Explanation – Company will refer to the spot reference rates published by Foreign Exchange Dealers' Association of India (FEDAI) on their website at <http://www.fedai.org.in/RevaluationRates.aspx> for carrying out the due diligence procedure for the purposes of identifying reportable accounts in terms of Rule 114H of Income Tax Rules.*

- Develop Information Technology (IT) framework for carrying out due diligence procedure and for recording and maintaining the same, as provided in Rule 114H of Income Tax Rules.
- Develop a system of audit for the IT framework and compliance with Rules 114F, 114G and 114H of Income Tax Rules.
- Constitute a "High Level Monitoring Committee" under the Designated Director or any other equivalent functionary to ensure compliance.
- Ensure compliance with updated instructions/ rules/ guidance notes/ Press releases/ issued on the subject by Central Board of Direct Taxes (CBDT) from time to time and available on the website <http://www.incometaxindia.gov.in/Pages/default.aspx> and may take note of the following:
 - updated Guidance note on FATCA and CRS
 - a press release on 'Closure of Financial Accounts' under Rule 114H(8).

The above guidelines will be followed if these would be applicable to SHDFC.

Hiring of Employees and Employee training

- SHDFC shall ensure adequate screening mechanism as an integral part of their personnel recruitment/hiring process.
- On-going employee training programme shall be put in place so that the members of staff are adequately trained in AML/CFT policy. The focus of the training shall be different for frontline staff, compliance staff and staff dealing with new customers. The front desk staff shall be specially trained to handle issues arising from lack of customer education. Proper staffing of the audit function with persons adequately trained and well-versed in AML/CFT policies of the SHDFC, regulation and related issues shall be ensured.
- Training to include elements of open communication, high integrity, proper understanding of subject matter amongst the staff dealing with KYC/AML/CFT matters.

Adherence to Know Your Customer (KYC) guidelines by the company and persons authorised by the Company including brokers/agents etc.

Persons authorised by the company and their brokers/agents or the like, shall be fully compliant with the KYC guidelines applicable to the Company

Annexure-I

List of documents – Identity and addressMandatory Documents

<u>S no</u>	<u>Document</u>
<u>1</u>	PAN Card or Form 60

Description of Officially valid documents (OVD) that can be accepted for establishing the legal name & current address of Individuals*[Any one of the following can be accepted]

S no	Document	Identity	Address
1	Valid Passport	Yes	Yes
2	Voter's Identity Card	Yes	Yes
3	Valid Driving license	Yes	Yes
4	Job card issued by NREGA duly signed by the officer of the State Government	Yes	Yes
5	Letter issued by the National Population Register containing details of name, address.	Yes	Yes
6	Proof of possession of Aadhaar Number* (to be obtained voluntarily)	Yes	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

Description of deemed to be officially valid documents that can be accepted for establishing the legal name and current address of Individuals. * [Any one of the following documents can be accepted]

S no	Document	Identity	Address
1	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
2	Property/ Municipal Tax receipt	No	Yes

3	Bank account/ Post Office Saving Bank account statement	No	Yes
4	Pension/ family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain Address	No	Yes
5	Letter of Allotment of Accommodation from employer issued by State/Central Govts Departments, statutory/	No	Yes
	regulatory bodies, public sector undertakings, scheduled commercial banks, financial institutions and listed companies and leave and license agreements with such employers allotting official accommodation		

The deemed to be officially valid document will have to be substituted by an officially valid document (OVD) as prescribed in Table above within a period of 3 months from date of its submission.

Considering the company want to ensure that the customer acceptance policy shall not result in denial of banking/financial facility to members of the general public, especially those, who are financially or socially disadvantaged. The following set of documents can be submitted if any of the OVD or deemed OVD is not available, with an assurance from the customer that the updated OVD shall be submitted within 3 months.

- Bank Account statement
- Ration card
- Property ownership document
- Rent Agreement
- A notarised affidavit in case the customer does not have any of the above documents.
- E- Ration Card
- Relationship proof can be submitted in case the spouse do not have a valid OVD specifying the current address

Annexure-II

LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING 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;

- v. 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;
- vi. Initial contribution made through unrelated third party accounts without proper justification;
- vii. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- viii. Suggesting dubious means for the sanction of loan;
- ix. Where transactions do not make economic sense;
- x. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased; xi. Encashment of loan amount by opening a fictitious bank account;
- xii. 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;
- xiii. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- xiv. Multiple funding of the same property/dwelling unit;
- xv. 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.
- xvi. Multiple funding / financing involving NGO / Charitable Organization / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- xvii. Frequent requests for change of address;
- xviii. Overpayment of instalments with a request to refund the overpaid amount.
- xix. The specific activities and reporting responsibilities thereof has been given in the table below: