

**SUPREME  
HOME LOANS**

# **SUPREME HOUSING FINANCE LIMITED**

**KYC and AML Policy**

**Version 1.1**

**w.e.f. 17<sup>th</sup> November 2020**

# KYC & AML MEASURES

## 1. PREAMBLE

KYC procedures enable the Company to know/understand their customers and their financial dealings better which in turn help them manage their risks prudently and prevent the Companies from being used, intentionally or unintentionally, by criminal elements for money laundering activities.

This policy has also been framed keeping in mind various guidelines and circulars issued by National Housing Bank from time to time. The policy has the following four key pillars:

- i. Customer Acceptance Policy;
- ii. Customer Identification procedures;
- iii. Monitoring of Transactions and
- iv. Risk management

## 2. POLICY FUNDAMENTALS

### Definition of customer

A Customer is:

- A person or entity that maintains an account and/or has a business relationship with Supreme Housing Finance Ltd (essentially home loan customers)
- 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
- Any person or entity connected with a financial transaction which can pose significant reputational or other risks to Supreme Housing Finance Ltd say, a wire transfer or issue of a high value demand draft as a single transaction

KYC guidelines will also be applicable to associates/agencies/intermediaries associated with Supreme Housing Finance Ltd as follows:

- i. Empaneled lawyers
- ii. Empaneled Valuers
- iii. FI agencies
- iv. Builder
- v. Seller of property being financed by Supreme Housing Finance Ltd
- vi. Direct Selling Agents/Direct selling team
- vii. Any other intermediary

The Company will collect legal name and entity/Identity proof, permanent address proof as per Annexure I for various types of associates/agencies/intermediaries captioned above.

In the formulation of this policy, as suggested by NHB KYC guidelines, it is kept in consideration that adoption of customer acceptance policy and its implementation should not become too restrictive and must not result in denial of housing finance services to general public, especially to those, who are financially or socially disadvantaged.

## 3. CUSTOMER ACCEPTANCE POLICY (CAP)

The Customer Acceptance Policy will ensure the following aspects of customer relationship No account is opened in anonymous or fictitious/benami name(s);

- Risk in terms of the location of customer and his clients and mode of payments are duly checked;
- Volume of turnover, social and financial status, etc. will form the basis for categorization of customers into low, medium and high risk; customers requiring very high level of monitoring, e.g. Politically Exposed Persons, Negative Profiles will be given due consideration.

- Documentation requirements and other information will be collected in respect of different categories of customers depending on perceived risk and guidelines issued from time to time; Declaration will be taken from the customer that the proceedings/transactions are not in violation of the PML Act, 2002 and NHB regulations in this regard as necessary.
- Not to open an account or close an existing account where the Company is unable to apply appropriate customer due diligence measures, i.e. the Company is unable to verify the identify and /or obtain documents required as per the risk categorization due to non-co-operation of the customer or non-reliability of the data/information furnished to the Company.
- Permanent Address proof from new applicants will be collected. The documents which can be accepted as proof of address are mentioned in Annexure I
- For existing customers who wish to reclose their loan account with Supreme Housing Finance Ltd following will be collected:
  - Permanent Address proof (As per Annexure I)
  - A declaration from the customer regarding source of funds being used for pre closure of the loan account
  - Closure of the loan account authority will be restricted to authorized person at the branch or head office. In the following circumstances, the account may be operated by a mandate holder or the account may be opened by an intermediary in a fiduciary capacity hence the customer is permitted to act on behalf of another person/entity, in conformity with the established law and practices:
    - If applicant is NRI/PIO
    - If applicant is a limited company
    - If applicant is a partnership firm.
    - Any other circumstance where it is not possible for the applicant to be present at the branch location

Necessary checks before any loan disbursement will be carried out by the companies in house team or through a FI agency so as to ensure that the identity of the customer does not match with any person with known criminal background or with banned entities such as individual terrorists or terrorist organizations, etc.

The Company will prepare a profile for each new customer during the credit appraisal based on risk categorization as mentioned in this policy and as per credit risk policy and operations manual.

The customer profile will contain information relating to the customer's identity, social/financial status, nature of business activity, information about his clients [business and their location, etc. The nature and extent of due diligence will depend on the risk perceived by Supreme.

At the time of credit appraisal of the applicant details will be recorded along with the profile based on meeting with the applicant (by the sales representative) apart from collection of applicable documents; this will be as per applicable credit and product norms which are incorporated in the operation manual and are in practice. However, while preparing customer profile The Company will seek only such information from the customer which is relevant to the risk category and is not intrusive.

The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or for any other purposes against monetary consideration. The Company will continue to share our client data with CIBIL and empaneled FI agencies and such other organizations/entities subject to confidentiality clause, since the purpose of sharing this information is to ensure risk minimization.

As per KYC policy, for acceptance and identification, customers are categorized broadly into low risk, medium risk, and high risk categories: -

- A) Low risk customers for the purpose of this policy will be individuals and entities whose identities and sources of wealth can be easily identified, have structured income and transactions in whose accounts by and large conform to the known profile.

Illustrative examples of low risk customers could be:

- Salaried applicants with salary paid by cheque and Salaried applicants with variable income/unstructured income receiving salary in cheque
- Salaried applicants working with Private limited companies. low turnover

- iii. People belonging to government departments
- iv. People working with government owned companies, regulators and statutory bodies, etc.
- v. People belonging to lower economic strata of the society whose accounts show small balances and low turnover
- vi. People working with Public Sector Units
- vii. People working with reputed Public Limited companies & Multinational Companies
- viii. Self Employed professionals other than HNIs
- ix. Self Employed customers with sound business and profitable track record for a reasonable period
- a) High risk customers that are likely to pose a higher than average risk to us may be categorized high risk customers depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. The Company will examine the case in details based on the risk assessment as per the credit risk policy and guidelines of operations manual.

Examples of high risk customers requiring higher due diligence may include:

- i. Non-resident customers
- ii. High net worth individuals, without an occupational track record of more than 3 years.
- iii. Trusts, charities, NGOs and organizations receiving donations
- iv. Companies having close family shareholding or beneficial ownership
- v. Firms with sleeping partners
- vi. Politically exposed persons (PEPs) of foreign origin
- vii. Non-face to face customers,
- viii. Those with dubious reputation as per available public information, etc

Medium Risk customers would include:

- i. High Net worth Individuals with occupational track record of more than 3 years. Our exposure to any of our clients is subject to our credit risk policy and operations manual of the Company. However, for customer acceptance, KYC is a prerequisite for a credit risk grading.

## 4. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

1. Customer identification means identifying the customer and verifying his/ her identity by using reliable, independent source documents, data or information while establishing a relationship. The Company will obtain sufficient information such as Voter ID card, PAN number, Passport etc. necessary to establish, to our satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship.

It will be ensured that due diligence is observed based on the risk profile of the customer in compliance with the extant guidelines in place and the same will be available for verification. Besides risk perception, the nature of

Information/documents required will also depend on the type of customer (individual, corporate etc.).

For customers that are natural persons, The Company has to obtain sufficient identification data to verify the identity of the customer, his address/location, and also his recent photograph. The Company collects identity proof, bank account details and property documents and Supreme Housing Finance Ltd has empaneled FI/RCU agencies who independently verify the applicant's occupation, residence and documents as applicable on sample basis

For customers that are legal persons or entities, the Company will:

- i. Verify the legal status of the legal person/ entity through proper and relevant documents,
- ii. Verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person and For (i) & (ii) Memorandum of Association and board resolution will be collected to ensure that the person purporting to act on behalf of the legal person/entity is authorized to do so, apart from applicable field/document investigations. In case of partnership firm, a copy of partnership deed along with the registration certificate of the firm, if registered and power of attorney in favor of the person purporting to act on behalf of the firm shall be collected.

In order to authenticate the identity of the person so purporting to represent the Company / Firm, Signature verification / attestation shall be done either from the Banker or copy of passport, driving license or Pan Card to be taken.

- iii. Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person. For this the Company will collect Shareholding letter duly certified by the Company Secretary/company's Auditor/Chartered accountant and Necessary Resolution / authorization etc.
2. Due diligence for High risk customer identification will be as follows:
  - a. Non-resident customers, due diligence including email verification of employment of the customer, collection of a local guarantor & power of attorney along with their identification proofs and verification of their residence/office will be done, if found necessary.
  - b. High net worth individuals, with less than three years occupational track record due diligence including personal discussion with the applicant, analysis of bank statement and financial statements will be done, details of client profile, sources of fund will be obtained, if required.
  - c. Trusts, charities, NGOs and organizations receiving donations, as and when such cases are received due diligence to be undertaken as for other cases in the high risk categories.
  - d. Companies having close family shareholding or beneficial ownership, due diligence including personal discussion with the applicant will be done. In case of company's proportionate income being considered to the extent of the customer's Shareholding in the Company- board resolution authorizing the director(s) to sign on behalf of the Company will be collected. Also signature verification of the person(s) issuing the board resolution will be collected, if necessary. (e) Firms with "sleeping partners, due diligence including personal discussion with the applicant will be done.
  - e. If income of the partnership firm is being considered, then The Company will collect a letter signed by all the partners authorizing the concerned partner(s) to sign on behalf of the partnership to be continued. Also signature verification of the person(s) issuing this authority letter will be collected, if necessary.
  - f. Politically exposed persons (PEPs) of foreign origin, same due diligence as NRI/PIO to be undertaken, though the Company is not sourcing cases of applicants of foreign origin. Only cases of applicants of Indian Origin working abroad are Processed
  - g. Supreme does not process applications from customers whom it cannot meet. However, in a rare case of a Non-face to face customer due diligence including telephonic/personal discussions be done, if required. Information from reliable sources will be obtained for establishing the existence& identity of the person.
  - h. Applications from customers who have dubious reputation as per public information available, etc will not be sourced / processed If the customer is found to be dubious at any stage then the case will not be declined
3. Customer identification requirements in respect of a few typical cases, especially, legal persons requiring an extra element of caution are given below:
  - a) Trust/Nominee or Fiduciary Accounts:

There exists the possibility that trust/nominee or fiduciary accounts can be used to circumvent the customer identification procedures. Hence, as and when such cases are received, the Company will determine whether the customer is acting on behalf of another person as trustee/nominee or any other intermediary. If so, the Company may insist on receipt of satisfactory evidence of the identity of the intermediaries and of the persons on whose behalf they are acting, as also obtain details of the nature of the trust or other arrangements in place. In the case of a "foundation, steps will be taken to verify the founder managers/directors and the beneficiaries, if defined.

Accounts of companies and firms:

- b) The Company will be careful while processing the cases of business entities specially to establish that individuals are not using those entities for maintaining accounts with it. The Company shall seek information, if required, on the control structure of the entity, source of funds and the natural persons who carry a controlling interest in the management. These requirements may be moderated as per our credit risk policy and guidelines of the operations manual, for e.g. in the case of a public company it will not be necessary to identify all the shareholders.
- c) Client accounts opened by professional intermediaries:

When the Company has knowledge or reason to believe that the client account opened by a professional intermediary

like Direct Selling Agent or Direct selling team or any other sales intermediary by whatever name called is on behalf of a single client, that client will be identified.

- d) Where the Company relies on customer due diligence (CDD) done by an intermediary like Field investigation agency or RCU agency or technical agency or lawyer or any other operation processing intermediary by whatever name called, the Company will ensure that the intermediary is having a bonafide identity with an established track record.
- e) Accounts of Politically Exposed Persons (PEPs) resident outside India Politically exposed persons are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g. Heads of States or of Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc. The Company will gather sufficient information as available on any person/customer of this category intending to establish a relationship and check all the information available on the person in the public domain. The Company will verify the identity of the person and seek information about the sources of funds before accepting the PEP as a customer. The above norms may also be applied to the accounts of the family members or close relatives of PEPs.

- f) Accounts of non-face-to-face customers

In the case of non-face-to-face customers, apart from applying the usual customer identification procedures, The Company will do telephonic/personal discussion with the applicant, if necessary. Applicant will be met by the Sales representative of the Company and will fill up the meeting sheet on that basis to mitigate the higher risk involved, as applicable.

Certification of all the documents presented may be insisted upon and, if necessary, additional documents may be called for and applicable verification of these documents will be done. In the case of cross-border customers, there is the additional difficulty of matching the customer with the documentation and the Company may have to rely on third party certification/introduction.

In such cases, it will be ensured that generally the third party is a regulated and/or supervised entity with an established track record. Hence apart from the existing due diligence for such customers The Company may take resident Indian Co-applicant as a party to the loan proposal or a local resident guarantor to the loan with identity verification. An indicative list of the nature and type of documents that may be relied upon for customer identification is given in the Annexure I.

## 5. MONITORING OF TRANSACTIONS

- a. Ongoing 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 National Automatic Clearing House(NACH) mandate or Instalment repayment cheques or Cash, our monitoring structure will be relevant to our nature of operations. The Company will pay special attention to all unusually large transactions involving large cash and the Company will introduce cash transaction reporting system above Rupees ten lacs. Risk categorization as is mentioned in this policy may be updated as and when required by the management. In case of overdue/default accounts where there is scope for meeting or vetting the profile of this customer again, due diligence if found necessary will be carried out. Subsequent to our sanction, during the period of part disbursement till full disbursement if any unusual transaction/development comes to our knowledge relating to money laundering the same will be verified and notified as required, The Company will ensure that a record of transactions in the accounts is preserved and maintained as required in terms of section 12 of the PML Act, 2002. The Company will ensure that transactions of suspicious nature as defined in Annexure II and/or any other type of transaction notified under section 12 of the PML Act, 2002, is reported to the appropriate law enforcement authority, as and when detected by our officials through the Principal Officer.
- b. The Company will maintain proper record in accordance with the PML Act, 2002, of all cash transactions (deposits and withdrawals) of Rupees ten lacs and above. As a matter of policy, the Company does not accept deposits. No loan is disbursed in cash and no monthly instalment above Rupees ten lacs is accepted in cash. Any transactions of suspicious nature as per Annexure II are to be reported to the Principal Officer immediately. In addition, thereto, the Branches shall on monthly basis furnish a certificate to the Principal Officer evidencing that neither such prohibited transactions and/nor cash transaction as specified in the policy have taken place.

## 6. RISK MANAGEMENT

- a. Internal Audit: The Company's internal audit department will evaluate and ensure adherence to the KYC policies and procedures. As a general rule, the compliance function will provide an independent evaluation of the Company's own policies and procedures, including legal and regulatory requirements. Internal Auditors may specifically check and verify the application of KYC procedures at the branches and comment on the lapses observed in this regard. The compliance in this regard will be put up before the Audit Committee of the Board along with their normal reporting frequency. A compliance conformation from Branch will be obtained by the Principal officer.
- b. Employee Training: The Company will have an ongoing employee training program so that the members of the staff are adequately trained in KYC procedures. Training requirements will have different focuses for frontline staff, compliance staff and staff dealing with new customers so that all those concerned fully understand the rationale behind the KYC policies and implement them consistently.
- c. Customer Education: The Company will educate the customer on the objectives of the KYC program so that customer understands and appreciates the motive and purpose of collecting such information
- d. Introduction of New Technologies: The Company will pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that may favor anonymity, and take measures, if needed, to prevent their use in money laundering schemes as and when online transactions are started /accepted by the Company.
- e. KYC for the Existing Accounts: The Company will apply the KYC norms to the existing customers of loan accounts on the basis of materiality and risk envisaged by it for those existing loan accounts.
- f. Where The Company is unable to apply appropriate KYC measures due to non-furnishing of information and /or non-cooperation by the customer, The Company will follow up with the existing identified customers for KYC compliance, Closure decision if at all is required will depend upon our internal assessment and will be taken at a Senior Level of Chief Risk Officer and above only after issuing due notice to the customer explaining the reasons for taking such a decision.
- g. Applicability to branches and subsidiaries outside India: The above guidelines will also apply to the branches and majority owned subsidiaries located abroad, especially, in countries which do not or insufficiently apply the Financial Action Task Force (FATF) Recommendations, to the extent local laws permit as and when the Company opens overseas branches. When local applicable laws and regulations prohibit implementation of these guidelines, the same will be brought to the notice of National Housing Bank and RBI.
- h. Appointment of Principal Officer: The Company designates Head – Compliance as "Principal Officer. He will be located at our head/corporate office and will be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will maintain close liaison with enforcement agencies, HFCs and any other institution which are involved in the fight against money laundering and combating financing of terrorism. He will also ensure that there is proper system of fixing accountability for serious lapses and intentional circumvention of prescribed procedures and guidelines. However, any such action has to be documented and placed before the management committee of the Company. Principal Officer will also report any unusual matter/information to the management committee of the Company as and when it occurs.
- i. Maintenance of records of transactions (As per Rule 3 of the Prevention of Money Laundering Rules 2005) The Company will maintain proper record of the under mentioned transactions:
  - All cash transactions of the value of more than rupees ten lacs or its equivalent in foreign currency, though by policy The Company does not accept cash deposits in foreign currency.
  - All series of cash transactions integrally connected to each other which have been valued below rupees ten lacs or its equivalent in foreign currency where such series of transactions have taken place within a month.
  - All cash transactions where forged or counterfeit currency notes or bank notes have been used as genuine and where any forgery of a valuable security has taken place; any such transactions
  - All suspicious transactions as mentioned in Annexure II
- j. Information to be preserved:

The Company will maintain the following information in respect of transactions referred to in the preceding point on "Maintenance of records of transactions"

- the amount of the transaction and the currency in which it was denominated
  - the date on which the transaction was conducted
  - The parties to the transaction.
- k. The Company sanctions and disburses files on the system; hence it has a system for proper maintenance and preservation of account information in a manner that allows data to be retrieved easily and quickly whenever required. However, the Company will maintain account information for at least ten years from the date of cessation of transaction between the Company and the client, all necessary records of transactions, both domestic or international, which will make available individual transactions (including the amounts and types of currency involved if any) so as to provide, if necessary, evidence for prosecution of persons involved in criminal activity.

The Company will ensure that records pertaining to the identification of the customer and his address (e.g. copies of documents like passports, identity cards, driving licenses, PAN, utility bills etc.) obtained while opening the account and during the course of business relationship, are properly preserved for at least ten years after the business relationship is ended. Apart from this, the application form, copy of loan agreement, NOC, other document either photocopy or cancelled original copy will be kept for next ten years after the full closure of the account. However, preservation and maintenance of the documents will be in paper form and a soft copy.

The identification of records and transaction data will be made available to the competent authorities upon request only through the principal officer under this policy with his approval.

(l) Reporting to Financial Intelligence Unit-India

The Principal officer will report information relating to cash and suspicious transactions if detected to the Director, Financial Intelligence Unit-India (FIU-IND) as advised in terms of the PMLA rules, in the prescribed formats as designed and circulated by NHB at the following address or such address as modified from time to time:

Director, FIU-IND,  
 Financial Intelligence Unit-India,  
 6 th Floor, Hotel Samrat,  
 Chanakyapuri New Delhi-110021

## 7. MISCELLANEOUS

Compliance under Foreign Contribution (Regulation) Act, 1976

The Company shall also ensure that provisions of the Foreign Contribution (Regulation) Act (FCRA), 1976 are duly adhered to. FCRA regulate the acceptance and utilization of foreign contribution or foreign hospitality received by certain specified persons or associations such as candidates for election, journalist, Judges/Govt. servants, political party, etc.

However, law permits certain persons or associations to accept the foreign contribution with the approval of the Central Government, as per the provisions of FCRA. In those cases, copy of approval or letter of intimation shall be taken from the customer.

## ANNEXURE I

CUSTOMER IDENTIFICATION PROCEDURE FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

- Individuals:
  - i. Aadhar Card
  - ii. Passport
  - iii. PAN card
  - iv. Voters ID
  - v. Identity Card
  - vi. Driving license
  - vii. Identity card (subject to the Company's satisfaction)



- viii. Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of the Company
  - Correct permanent address:
    - 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 Company)
  - vii. (any one document which provides customer information to the satisfaction of the Company will suffice)
    - Companies
      - a. Name of the Company
      - b. Principal place of business
      - c. Mailing address of the Company
      - d. Telephone/Fax Number
        - i. Certificate of incorporation and Memorandum & Articles of Association
        - ii. Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account
        - iii. Power of Attorney granted to its managers, officers or employees to transact business on its behalf
        - iv. Copy of PAN allotment letter
        - v. Copy of the telephone bill
    - Partnership Firms
      - i. Legal name
      - ii. Address
      - iii. Names of all partners and their Addresses-Telephone numbers of the firm and partners
      - iv. Registration certificate, if registered
      - v. Partnership deed
      - vi. Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
      - vii. Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses
      - viii. Telephone bill in the name of firm/partners
    - Trusts & Foundations
      - i. Names of trustees, settlers, beneficiaries and signatories
      - ii. Names and addresses of the founder, the managers/directors and the beneficiaries -Telephone/fax numbers
      - iii. Certificate of registration, if registered
      - iv. Power of Attorney granted to transact business on its behalf
      - v. Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses
      - vi. Resolution of the managing body of the foundation/association
      - vii. Telephone bill

## ANNEXURE II

All suspicious transactions whether or not made in cash and by way of –

1. Deposits and credits, withdrawals into or from any accounts in whatsoever name they are referred to in any currency maintained by way of –
  - Cheques including third party cheques, pay orders, demand drafts, cashiers cheques or any other instrument of payment of money including electronic receipts or credits and electronic payments or debits, or
  - Traveler's cheques, or
  - Transfer from one account within the same banking company, financial institution and intermediary, as the case may be, including from or to Nostro and Vostro accounts, or
  - Any other mode in whatsoever name it is referred to;
2. Credits or debits into or from any non-monetary accounts such as d-mat account, security account in any currency maintained by the banking company, financial institution and intermediary, as the case may be.
3. Money transfer or remittances in favor of own clients or non-clients from India or abroad and to third party beneficiaries in India or abroad including transactions on its own account in any currency by any of the following: -
  - payment orders or
  - cashiers cheques or
  - demand drafts or
  - telegraphic or wire transfers or
  - electronic remittances or
  - Internet transfers, or
  - Automated Clearing House remittances
  - Lock box driven transfers
  - Remittances for credit or loading to electronic cards, or
  - any other mode of money transfer by whatsoever name it is called
4. Loans and advances including credit or loan substitutes, investments and contingent liability by way of: -
  - Subscription to debt instruments such as commercial paper, certificate of deposits, preferential shares, debentures, securitized participation, interbank participation or any other investments in securities or the like in whatever form and name it is referred to, or purchase and negotiation of bills, cheques and other instruments, or
  - Foreign exchange contracts, currency, interest rate and commodity and any other derivative instrument in whatsoever name it is called; or
  - Letters of credit, standby letters of credit, guarantees, comfort letters, solvency certificates and any other instrument for settlement and/or credit support
5. Collection services in any currency by way of collection of bills, cheques, instruments or any other mode of collection in whatsoever name it is referred to.