

ORANGE CITY HOUSING FINANCE LIMITED (OCHFL)

Know Your Customer (KYC) Policy & Anti-Money Laundering (AML) Measures

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Orange City Housing Finance Limited  
(OCHFL)

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This is the KYC & AML policy of the company. Category: Very Important.

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# Know Your Customer (KYC) Policy & Anti-Money Laundering (AML) Measures

2011

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### Revision History

<u>S. No.</u>	<u>Version</u>	<u>Date</u>	<u>Author</u>	<u>Comments</u>
1	1.0	April 30, 2011	Dipti Andhare	Baselined version
2	1.1	June 10, 2011	Uday Bhaskarwar	Compliance with circular dated NHB(ND)/DRS/Misc. Circular-No 4/5300/2010-11 dated May 6 <sup>th</sup> , 2011

## Introduction

The purpose of this document is to define Know Your Customer (KYC) Policy & Anti-Money Laundering (AML) Measures for the company in accordance with the NHB Directions for Housing Finance companies. This is living document and supposed to be updated on a regular basis. Any regulatory change that would impact the KYC and AML aspects of the company would be reflected here.

This document should not be seen in isolation but in conjunction with the other policy documents that define the overall working of the company. For the sake of simplicity and to avoid confusion, any matter covered in other policy documents is not repeated in this document.

## Company Philosophy

OCHF (‘‘the company’’) believes in and complies with the prevalent KYC and AML practices that are in line with the Directions provided by NHB to housing finance companies. Considering the importance of KYC and AML, the top management will be directly involved in the various aspects of KYC and AML related issues.

## Objectives of KYC Guidelines

- To prevent Orange City Housing Finance Ltd (OCHF) from been used intentionally or unintentionally by criminal elements for money laundering activities.
- To know and understand the clients of the company and their financial dealings for risk management.

The four significant key elements include

- A) Customer Acceptance policy
- B) Customer identification procedure
- C) Monitoring Transactions &
- D) Risk Management

## Definitions

For the purpose of KYC policy of OCHF Ltd. a customer will be defined as:

- Person or entity that maintains an Account/Share or has a business relationship with OCHF.

- One on whose behalf the account is maintained (i.e. beneficial owner)
- Beneficiaries of transactions conducted by professional intermediaries such as stock Brokers, Chartered Accountants and 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 OCHF, say, a wire transfer or issue of a high value demand draft as single transaction.

### **Customer Acceptance Policy (CAP)**

OCHF has developed a clear policy for Customer Acceptance:

- i) No account will be opened in anonymous or fictitious / benami name(s)
- ii) Customer's parameters of risk perception -
  - a) Location - His address, both official and residential will be verified and after confirmation next step will be taken.
  - b) Clients - authenticity of his business will be checked through his genuine clients.
- iii) All mode of payments will be by cheques. The amount will be shown as recovered only after the cheques are cleared by the bank.
- iv) The Volume of turnover of the customer if he is into
  - a) business would be checked from his /his company's balance sheets for three consecutive years
- v) OCHF will try to avoid customers with political influence.
- vi) The customer will be categorized into four levels considering their social and financial status.
  - a) Level I - Paying income tax over Rs. 1.00 Lakh
  - b) Level II - Paying income tax between Rs. 1 to Rs. 1 Lakh
  - c) Level III - Not an income tax payer.
  - d) NRIs - NRIs with clean record (& not politically exposed persons)
- vii) Customer will be subjected to the requirements of PML Act 2002 and guidelines issued by NHB from time to time. All documents as required in the application form of OCHF will be obtained and verified.
- viii) No account will be opened where OCHF is unable to apply appropriate customer due diligence measures. These will include verification of identity of customer and documents submitted by him/her. Non co-operation of customer and non-reliability of data information furnished to OCHF will automatically disapprove the customer. However for closing of the account the customer will be served a notice giving reasons for such action and enabling him to plead his case before OCHF Ltd.

- ix) No person will be allowed to act on behalf of the customer. If in circumstances the account is to be operated by a mandate holder or an intermediary then that would be specified as per established laws & practices.
- x) Necessary possible checks will be applied before opening a new account so as to ensure the identity of customer. It will be assured that identity of customer does not match known criminal background or with banned entities such as terrorists or other hardened criminals.
- xi) OCHFLL will keep customer profile indicating information of customer's identity, social/financial status, nature of business activity, information about his clients business and their location etc. This document will be confidential.
- xii) Low risk customers will be subjected to only verifying their identity and location by checking their salary slips.
- xiii) High risk customers will be subjected to detailed verification -
  - I) Customer's back ground
  - II) Nature and location of his/her activity
  - III) Country of origin
  - Iv) Sources of funds
  - v) Client's profile (confidential)

#### High-risk persons will include

- a) Non Resident Indians
- b) High net worth individuals
- c) Trust, charities, NGOs and organizations receiving donations
- d) Companies having close family share-holding or beneficial ownership
- e) Firms with sleeping partners
- f) Politically exposed persons (PEP) of foreign origin
- g) Non-face to face customers
- h) Those with dubious reputation as per public information available etc.

OCHFLL would involve the senior management & seek it's approval to continue business relationship with the customer. In case an existing customer or the beneficial owner of an existing account subsequently becomes a PEP, the company would further monitor the details.

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However, exceptions will be made for financially and socially disadvantaged. Stricter norms will be applied to persons having dubious records or whose record is not easily verified.

## Customer Identification Procedure (CIP)

OCHFLL has formulated a client identification programme to determine the true identity of its clients.

It is necessary to obtain sufficient identification data to verify the identity of the customer, his address/location and also his recent photograph. OCHFLL would

- a) Verify the legal status of the legal person /entity through proper and relevant documents.
- b) Verify that any person purporting to act on behalf of the legal person/entity is so authorized and identity and verify the identity of that person.
- c) Understand the ownership and control structure of the customer and determine who are the natural persons who ultimately control the legal person.

OCHFLL, as per the revised PML Rules would without availing time

- i) establish the identity of its client & verify it &
- ii) gather information on the purpose & intended & nature of the business relationship at the time of commencement of an account based relationship

a)	Legal name and any other used	Verify from (i) Passport, (ii) PAN card, (iii) voter identity card, (iv) Driving license, (v) Identity card, (vi) letter from a recognized authority or public servant, verifying the identity and residence of customer.
	Correct permanent Address	(i) Telephone bill, (ii) Account statement, and (iii) letter from recognised authority, (iv) electricity bill, (v) Ration card, (vi) letter from genuine employer. One recent passport size photo graph except in case of transactions referred to in rule 9(1)(b) of PML rules.

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b)	Companies Name of company, principal place of business, mailing address of company, Telephone No.	(i) Certificate of Incorporation and (ii) Memorandum and Articles of association, (iii) Resolution of the Board of Directors and , Power of Attorney granted to its Managers, officers or employees to transact business on its behalf,(iv)an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf, (v) copy of PAN card allotment order, copy of telephone bill.
c)	Partnership firms, legal name, address, names of all partners and their addresses Telephone Nos. of firm partners.	(i)Registration certificate if registered, (ii)partnership deed, (iii)Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf,(iv) any official valid document identifying the partners and persons holding the power of attorney and their address, (v) Telephone Bill in the name of firm/partners.
d)	Trusts and foundations names of trustees, settlers beneficiaries and signatories, Names and addresses of the founder, the manager /directors and the beneficiaries Telephone/fax Nos.	(i)Certificate of registration, if registered,(ii)trust deed(iii) Power of Attorney granted to transact business on its behalf, (iii)any officially valid document to identify the trustees, settlers, beneficiaries and those holding power of attorney, founders/managers/ directors and their addresses (iv)resolution of the managing body of the foundation /association, (v)Telephone bill.
e)	Unincorporated association or a body of individuals	(i) resolution of a managing body(ii) power of attorney (iii) any official valid document allowing him to transact business, (iv) any other document felt necessary by OCHFL.

- iii) In all other cases would verify identity
  - i. When transaction of an account equal to or exceeding rupees fifty thousand, whether conducted as a single transaction or several transactions that appear to be connected or
  - ii. any international money transfer operations.

However where some suspicion arises while scrutinizing the documents, a detailed verification will be carried out.



### Monitoring Transactions

To effectively control and reduce risk of Money laundering, OCHFL will monitor -

- a) All complex and unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose.
- b) A threshold limit of Rs. 10.00 Lakh for level I and NRIs Rs.5.00 Lakh for level II and Rs. 1.00 Lakh to level III of accounts and special attention will be paid to the transactions which exceed these limits.
- c) Transactions involving large amount of cash in consistent with normal and expected activity of the customer will be minutely observed.
- d) Verifying high account turnover inconsistent with the size of balance maintained may indicate that funds are being "washed" through account. Therefore such accounts will be observed by principal officer personally by checking the background of customer such as country of origin, sources of funds and types of transactions involved and other risk facts.
- e) A periodical review of risk categorization of accounts will be carried out once in three months during the board meetings.
- f) A record of transactions will be maintained as required in terms of section 12 of PML Act 2002
- g) Transactions of suspicious nature or notified under section 12 of PML Act 2002 will be reported to police and Director Financial Intelligence Unit (FIU) of India, New Delhi

Based on the internal guidelines framed which would also work as a Client Identification Programme, OCHFL would determine the true identity of its clients. OCHFL will maintain separate records of all transactions above Rs. 10.00 Lakhs (whether deposits or withdrawal) and including all suspicious customers and transactions and report on fortnightly basis.

### Risk Management

All directors and staff will be trained in KYC Programme so that they can have oversight, systems and controls. Their duties will be segregated. Principal officer will be responsible for implementing all KYC policies of OCHFL. A risk profile will be created for both existing and new customers and Anti money laundering measures will be applied to such transactions, accounts and business relationship.

The principal officer in consultation with internal audit will evaluate and ensure adherence to KYC policies and procedure. She/he will carry out evaluation every three months with the help of internal audit.

She/he will be answerable if the Board comes across any discrepancy in following the procedures & guidelines framed.

All staff will be trained by the principal officer for implementing KYC measures and procedures.

### **Customer Education**

OCHFLL will soon prepare a pamphlet for customer's education of KYC measures and procedure.

### **Introduction of New Technologies**

OCHFLL will ensure that no money laundering threats arise from new developing technologies including online transactions that may favour anonymity.

### **Applicability to branches and subsidiaries outside India**

There is neither a branch nor a subsidiary of OCHFLL outside India. However, in case such branches/subsidiaries come up in future, the KYC procedure will be applied to them too.

### **Appointment of Principal Officer**

Dr Dipti Andhare is currently appointed as Principal Officer to ensure implementation of KYC procedure and reporting of suspicious cases to Director, Financial Intelligence Unit of India, New Delhi. Her H.Q. is at Nagpur and she will work in the office of OCHFLL. She will be accountable for serious lapses and intentional circumvention of prescribed procedure and guidelines along with the Board of Directors.

### **Maintenance and Records of Transactions**

OCHFLL will maintain records of

- i) All cash transactions of the value of Rs. 10.00 Lakh or its equivalent in foreign currency will be maintained in Register KYC-1
- ii) All transactions which are carried out in one month by a customer amounting to Rs. 10.00 will be maintained in register KYC-2
- iii) All transactions involving receipts by non-profit organizations of Rs 10 lakhs or its equivalent in foreign currency.

- iv) All documents, currency, which is forged, will be maintained in register KYC-3
- v) All other suspicious transactions (likely) which are not mentioned in KYC-1, KYC-2 and KYC -3 will be maintained in KYC -4.

Information on similar lines would also be maintained when OCHFL has it's branch offices.

OCHFL will maintain following details -

- i) The nature of transactions
- ii) The amount of transaction and currency of denomination
- iii) The date on which transaction was conducted
- iv) The parties to be transactions

### **Maintenance and preservation of records**

OCHFL would keep the records in books and also maintain a soft copy of the same for a period of ten years from the date of transactions between the clients and OCHFL, which would be easy to retrieve when required by the competent authorities.

The identification of customer documents e.g. passport, identity card, driving license, PAN, utility bills obtained while opening accounts and all money transactions will be preserved for ten more years after cessation of transactions and end of business relationship.

OCHFL would come up with a proper system for maintenance & preservation of information & which would allow quick retrieval of the information when required.

### **Reporting to Financial Intelligence Unit of India (FIU)**

OCHFL will report all suspicious transactions to Director Financial Intelligence at the earliest in the form of PMLA rules.

A copy of the same would be retained by the Principal Officer.

The information would be furnished at the following address:

Director, FIU-IND,  
Financial Intelligence Unit-India,  
6<sup>th</sup> Floor, Hotel Samrat,  
Chanakyapuri,  
New Delhi-110021.

OCHFL will report if there are transactions as referred to in Clause(A),(B) and (BA) of sub-rule (1) of rule 3 of the PML Rules relating to cash & suspicious transactions, within 15 days.

OCHFL will report if there are transactions as referred to in Clause(C) of sub rule 3 of the PML Rules, to the Director within 7 days from the date of such transaction.

OCHFL will report if there are transactions as referred to in Clause(D) of sub rule (1) of rule 3 of the PML Rules, to the Director within 7 days from the date of such transaction.

OCHFL & its staff would maintain strict confidentiality of the reporting of these suspicious transactions.

OCHFL will submit a report only if it comes across Cash/suspicious transactions during a particular period which need to be reported to FIU-IND.

OCHFL would be reporting in the prescribed format only.

OCHFL will be submitting the required information directly to FIU-IND through the Principal Officer.

### **General**

OCHFL will adhere to the provisions of PML Rules framed & the Foreign Contribution & Regulation Act, 1976.

OCHFL will close down an account of the customer where it is unable to apply appropriate KYC measures by issuing a notice to the customer through a senior level officer.

OCHFL will comply with the KYC guidelines and OCHFL is aware that contravention of these by OCHFL will attract penal charges.

\*\*\*End of Document\*\*\*