

'KNOW YOUR CUSTOMER' (KYC)

AND

ANIT-MONEY LAUNDERING (AML) MEASURES

We, Akme Star Housing Finance Limited Company intent to safeguard the customers and for making the housing credit delivery mechanism more simple and reachable. We adopt the KYC procedures to enable our company to know/understand the customers and their financial dealings better which in turn help them manage their risks prudently.

1. In view of same we have framed the KYC policies incorporating the following four key elements:

- (i) Customer Acceptance Policy
- (ii) Customer Identification Procedures
- (iii) Monitoring of Transactions
- (iv) Risk management.

2. For the purpose of our KYC policy, a 'Customer' may be defined as:

- a person or entity that maintains an account and/or has a business relationship with the company
- one on whose behalf the account is maintained (i.e. the beneficial owner)
- beneficiaries of transactions conducted by professional intermediaries, such as Stock Brokers, Chartered Accountants, Solicitors, etc. as permitted under the law, and
- any person or entity connected with a financial transaction which can pose significant reputational or other risks to our company.

CUSTOMER ACCEPTANCE POLICY

3. Company has developed a clear Customer Acceptance Policy laying down explicit criteria for acceptance of customers. The Customer Acceptance Policy ensure following aspects of customer relationship in the company:-

- (i) No account is opened in anonymous or fictitious/ benami name(s);
- (ii) Parameters of risk perception are clearly defined in terms of the location of customer and his clients and mode of payments, volume of turnover, social and financial status, etc. to enable categorization of customers into low, medium and

high risk (Company may choose any suitable nomenclature, viz. level I, level II, level III etc.);

- (iii) Documentation requirements and other information to be collected in respect of different categories of customers depending on perceived risk and keeping in mind the requirements of Prevention of Money Laundering Act, 2002 (Central Act No. 15 of 2003) (hereinafter referred to as PMLA), rules framed there under and guidelines issued from time to time;
- (iv) Not to open an account or close an existing account where the company is unable to apply appropriate customer due diligence measures, i.e. Company is unable to verify the identity 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. It may, however, be necessary to have suitable built-in safeguards to avoid harassment of the customer. For example, decision to close an account may be taken at a reasonably high level after giving due notice to the customer explaining the reasons for such a decision;
- (v) Circumstances, in which a customer is permitted to act on behalf of another person/entity, should be clearly spelt out in conformity with the established law and practices, as there could be occasions when an account is operated by a mandate holder or where an account may be opened by an intermediary in a fiduciary capacity; and
- (vi) Necessary checks before opening a new account 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.

4. The Company will prepare a profile for each new customer based on risk categorization. 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. Any other information from the customer should be sought separately with his/her consent and after opening the account. The customer profile will be a confidential document and details contained therein shall not be divulged for cross selling or any other purposes.

5. For the purpose of risk categorization, individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions in whose accounts by and large conform to the known profile, may be categorized as low risk. In such cases, the policy may require that only the basic requirements of verifying the identity and location of the customer are to be met.
6. Customers that are likely to pose a higher than average risk to the company will be categorized as medium or high risk depending on customer's background, nature and location of activity, country of origin, sources of funds and his client profile, etc. We will apply enhanced due diligence measures based on the risk assessment, thereby requiring intensive 'due diligence' for higher risk customers, especially those for whom the sources of funds are not clear.

CUSTOMER IDENTIFICATION PROCEDURE

7. The Company, according to the Rule 9 of the Prevention of Money-Laundering (Maintenance of Records of the Nature and Value of Transactions, The Procedure and Manner of Maintaining and Time for Furnishing information and Verification and Maintenance of Records of the Identity of the Clients of the Banking Companies, Financial Institutions and Intermediaries) Rules, 2005 (hereinafter referred to as PML Rules), will:
 - a) at the time of commencement of an account-based relationship, identify its clients, verify their identity and obtain information on the purpose and intended nature of the business relationship, and
 - b) in all other cases, verify identity while carrying out :
 - (i) 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
 - (ii) any international money transfer operations..

Further, The Company, as stated in Rule 9, will identify the beneficial owner and take all reasonable steps to verify his identity. The company will also exercise ongoing due diligence with respect to the business relationship with every client and closely examine the transactions in order to ensure that we are consistent with their knowledge of the customer, his business and risk profile. Therefore, the Customer Identification Policy had

been approved by the Board of Company which clearly spells out the Identification Procedure to be carried out at different stages, i.e. while establishing a relationship; carrying out a financial transaction or when the company has a doubt about the authenticity/veracity or the adequacy of the previously obtained customer identification data.

8. The company has Annex the indicative list of the nature & type of document which will be acceptable by the company as customer identification proof at Annex-1 for the ready reference.

MONITORING OF TRANSACTIONS

9. Ongoing monitoring is an essential element of effective KYC procedures. The company will can effectively control and reduce their risk by having a deep understanding of the normal and reasonable activity of the customer so that the company able to identifying transactions that fall outside the regular pattern of activity. The company will pay special attention to all complex, unusually large transactions and all unusual patterns which have no apparent economic or visible lawful purpose. The company will prescribe threshold limits for a particular category of accounts and pay particular attention to the transactions which exceed these limits. Transactions that involve large amounts of cash inconsistent with the normal and expected activity of the customer should particularly will attract the attention of the company. Very high account turnover inconsistent with the size of the balance maintained may indicate that funds are being 'washed' through the account. High-risk accounts have to be subjected to intensified monitoring. The Company will set key indicators for such accounts, taking note of the background of the customer, of funds, the type of transactions involved and other risk factors. The Company will put in place a system of periodical review of risk categorization of accounts and apply enhanced due diligence measures.

RISK MANAGMENT

10. The Board of Directors of the company ensures that an effective KYC programme is put in place by establishing appropriate procedures and ensuring their effective implementation. It will cover proper management oversight, systems and controls, segregation of duties, training and other related matters.

11. Company's internal audit and compliance functions have an important role in evaluating and ensuring adherence to the KYC policies and procedures. In view of same, the compliance function should provide an independent evaluation of the company's own policies and procedures, including legal and regulatory requirements. The Company will ensure that our audit machinery is staffed adequately with individuals who are well-versed in such policies and procedures.
12. The Company will have an ongoing employee training programme so that the members of the staff are adequately trained in KYC procedures. Training requirements should have different focus for frontline staff, compliance staff and staff dealing with new customers.

CUSTOMER EDUCATION

13. Implementation of KYC procedures requires the company to demand certain information from customers which may be of personal nature or which have hitherto never been called for. This can sometimes lead to a lot of questioning by the customer as to the motive and purpose of collecting such information. There is, therefore, a need for the company will prepare specific literature/ pamphlets, etc. so as to educate the customer about the objectives of the KYC programme. The front desk staff will be specially trained to handle such situations while dealing with customers.

INTRODUCTION OF NEW TECHNOLOGIES

14. The company will pay special attention to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favor anonymity, and take measures, if needed, to prevent their use in money laundering schemes.

APPOINTMENT OF PRINCIPAL OFFICER

15. The company will appoint a senior management officer, preferably of the level of General Manager or immediately below the level of CMD/ED of the company (depending on the internal organizational structure of the housing finance company) be designated as 'Principal Officer'. The name of the Principal Officer so designated, his designation and address including changes from time to time, may advised to the Director, FIU-IND

and also to NHB. Our Principal Officer is located at the head/corporate office of the company and shall 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.

MAINTAINENCE OF RECORD OF TRANSACTIONS

16. The Company has introduced a system of maintaining proper record of transactions as required under section 12 of the PMLA read with Rule 3 of the PML Rules, as mentioned below:

- i. all cash transactions of the value of more than rupees ten lakh or its equivalent in foreign currency;
- ii. all series of cash transactions integrally connected to each other which have been valued below rupees ten lakh or its equivalent in foreign currency where such series of transactions have taken place within a month and the aggregate value of such transactions exceeds rupees ten lakh;
- iii. all transactions involving receipts by non-profit organizations of rupees ten lakhs or its equivalent in foreign currency;
- iv. 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 or a document has taken place facilitating the transactions; and
- v. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rule 3(1) (D).

Records to contain the specified information

17. Records referred to above in Rule 3 of the PMLA Rules to contain the following Information:-

- (i) the nature of the transactions;
- (ii) the amount of the transaction and the currency in which it was denominated;
- (iii) the date on which the transaction was conducted; and
- (iv) the parties to the transaction.

Maintenance and Preservation of records

18. Section 12 of PMLA requires every housing finance company to maintain records as under:

- a) records of all transactions referred to in clause (a) of Sub-section (1) of section 12 read with Rule 3 of the PML Rules is required to be maintained for a period of ten years from the date of transactions between the clients and the housing finance company.
- b) records of the identity of all clients of the housing finance company is required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the housing finance company.

The Company ensure that it will take appropriate steps to evolve a system for proper maintenance and preservation of information in a manner (in hard and soft copies) that allows data to be retrieved easily and quickly whenever required or when requested by the competent authorities.

Reporting to Financial Intelligence Unit-India

19. Section 12 of PMLA requires every housing finance company to report information of transaction referred to in clause (a) of sub-section (1) of section 12 read with Rule 3 of the PML Rules relating to cash and suspicious transactions etc. to the Director, Financial Intelligence Unit-India (FIU-IND). The provision to the said section also provides that where the principal officer of a the company has reason to believe that a single transaction or series of transactions integrally connected to each other have been valued below the prescribed value to so to defeat the provisions of this section, such officer shall furnish the information in respect of such transactions to the Director within the prescribed time.

GENERAL

20. Company will ensure that the provisions of PML, Rules framed there under and the Foreign Contribution and Regulation Act, 1976, wherever applicable, are adhered to strictly.

21. 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 may consider closing the account or terminating the business relationship after issuing due notice to the customer explaining the reasons for taking such a decision. Such decisions need to be taken at a reasonably senior level.

22. These guidelines are issued under the compliance and as directed by National Housing Bank, India.

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

Features	Documents (Certified copy)
<p>Individuals –</p> <p>- Legal name and any other names used</p> <p>- Correct permanent address</p>	<p>(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving license (v) Identity card (subject to company's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of company.</p> <p>(i) Telephone bill (ii) Bank Account statement (iii) Letter from any recognized public authority (iv) Electricity bill (v) Ration card (vi) Letter from employer (subject to satisfaction of the company) (any one document which provides customer information to the satisfaction of the company will suffice)</p> <p>One recent passport size photograph except in case of transactions referred to in Rule 9(1) (b) of the PML Rules.</p>
<p>Companies</p> <p>- Name of the company</p> <p>- Principal place of business</p> <p>- Mailing address of the company</p> <p>- Telephone/Fax Number</p>	<p>(i) Certificate of incorporation (ii) Memorandum & Articles of Association (iii) Resolution from the Board of Directors and Power of Attorney granted to its managers, officers or employees to transact business on its behalf (iv) an officially valid document in respect of managers, officers or employees holding an attorney to transact on its behalf. (v) Telephone Bill.</p>

<p>Partnership Firms</p> <ul style="list-style-type: none"> - Legal name - Address - Names of all Partners and their addresses - Telephone numbers of the firm and partners 	<p>(i) Registration certificate, if registered (ii) Partnership deed (iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf (iv) Any officially valid document identifying the partners and the persons holding the Power of Attorney and their addresses. (v) Telephone Bill in the name of firm / partners.</p>
<p>Trusts & Foundations</p> <ul style="list-style-type: none"> - Names of trustees, settlers, beneficiaries and signatories - Names and addresses of the founder, the managers / directors and the beneficiaries - Telephone/fax numbers 	<p>(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.</p>
<p>Unincorporated association or a body of individuals</p>	<p>(i) resolution of the managing body of such association or body of individuals (ii) power of attorney granted to him to transact on its behalf (iii) an officially valid document in respect of the person holding an attorney to transact on its behalf (iv) and such other information as may be required by HFC to collectively establish the legal existence of such as association or body of individuals.</p>