

## **FREQUENTLY ASKED QUESTIONS (“FAQs”) ON KNOW YOUR CUSTOMER (“KYC”) & ANTI- MONEY LAUNDERING (“AML”) NORMS AND THE DOCUMENTS REQUIRED**

### **❖ WHAT IS MONEY LAUNDERING?**

The goal of a large number of criminal acts is to generate a profit for the individual or group that carries out the act. **Money laundering** is the processing of these criminal proceeds to disguise their illegal origin. This process is of critical importance, as it enables the criminal to enjoy these profits without jeopardizing their source.

Illegal arms sales, smuggling, and the activities of organized crime, including for example drug trafficking and prostitution rings, can generate huge amounts of proceeds. Embezzlement, insider trading, bribery and fraud schemes can also produce large profits and create the incentive to “legitimize” the ill-gotten gains through money laundering.

When a criminal activity generates substantial profits, the individual or group involved try to find a way to control the funds without attracting attention to the underlying activity or the persons involved. Criminals do this by disguising the sources, changing the form, or moving the funds to a place where they are less likely to attract attention.

### **❖ WHAT IS A MONEY LAUNDERING OFFENCE?**

- (a)** a person shall be guilty of offence of money-laundering if such person is found to have directly or indirectly attempted to indulge or knowingly assisted or knowingly is a party or is actually involved in one or more of the following processes or activities connected with proceeds of crime, namely:— (a) concealment; or (b) possession; or (c) acquisition; or (d) use; or (e) projecting as untainted property; or (f) claiming as untainted property, in any manner whatsoever;
- (b)** the process or activity connected with proceeds of crime is a continuing activity and continues till such time a person is directly or indirectly enjoying the proceeds of crime by its concealment or possession or acquisition or use or projecting it as untainted property or claiming it as untainted property in any manner whatsoever.

### **❖ WHAT ARE PROCEEDS OF CRIME?**

Proceeds of crime means any property derived or obtained, directly or indirectly, by any person as a result of criminal activity relating to a scheduled offence or the value of any such property or where such property is taken or held outside the country, then the property equivalent in value held within the country or abroad.

Proceeds of crime include property not only derived or obtained from the scheduled offence but also any property which may directly or indirectly be derived or obtained as a result of any criminal activity relatable to the scheduled offence, as defined under the Prevention of Money Laundering Act, 2002.

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### **❖ WHAT IS THE PREVENTION OF MONEY LAUNDERING ACT?**

To prevent Money Laundering in India and to provide for powers to penalise such crime, the Government of India enacted the **Prevention of Money Laundering Act, 2002 (“PMLA”)**, which is in force since 1<sup>st</sup> July, 2005.

### **❖ WHAT ARE THE OBLIGATIONS OF THE REPORTING/ REGULATED ENTITIES UNDER THE PMLA?**

The PMLA and rules notified thereunder impose obligation on banking companies, financial institutions (including a housing finance company like Grihum Housing Finance Limited (Formerly, Poonawalla Housing Finance Ltd.) and various other intermediaries to verify identity of clients, maintain records and furnish information to the Financial Intelligence Unit- India (FIU-IND) under Ministry of Finance, Govt. of India.

### **❖ WHAT ARE THE KYC AND AML REQUIREMENTS, A HOUSING FINANCE COMPANY IS REQUIRED TO FOLLOW?**

Apart from the PMLA and the Rules thereunder, all regulated entities regulated by the **Reserve Bank of India (“RBI”)** are required to comply with the provisions of the ‘Reserve Bank of India (Know Your Customer (KYC)) Directions, 2016’ prescribed by the RBI. Accordingly, based on the regulatory requirements, **Grihum Housing Finance Limited (Formerly, Poonawalla Housing Finance Ltd. (“Company”)** has formulated its KYC and AML Policy.

### **❖ WHAT IS DEFINITION OF CUSTOMER FOR KYC PURPOSES?**

‘**Customer**’ means a person who is engaged in a financial transaction or activity with the Company and includes a person on whose behalf the person who is engaged in the transaction or activity, is acting.

### **❖ WHY ARE KYC DOCUMENTS SOUGHT FROM A CUSTOMER?**

KYC documents like Proof of Identity and proof of Address are required to prevent certain malpractices like identity theft, identity fraud, money laundering and terrorist financing. These documents are obtained to verify identify/ address and to ensure that the Company is not used, intentionally or unintentionally for money laundering by criminal elements.

### **❖ WHAT WOULD HAPPEN IF A CUSTOMER DOES NOT COMPLY WITH THE KYC REQUIREMENTS?**

If mandatory KYC information/ documents are not available/ submitted for a business relationship, then proposal of the loan/ business relationship is likely to be rejected/ not considered.

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❖ **WHAT ARE THE RULES REGARDING PERIODICAL UPDATION OF KYC DOCUMENTS/ INFORMATION?**

Different periodicities have been prescribed for updation of KYC records depending on the risk perception of the Company. KYC is required to be done at least every 2 years for high-risk customers, at least every 8 years for medium risk customers and 10 years for low-risk customers. This exercise would involve all formalities normally taken at the time of opening the account.

If there is no change in status with respect to the identity (change in name, etc.) and/or address, such customers may submit a self-certification to that effect at the time of periodic updation. 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 with the Company and the

declared address shall be verified through positive confirmation within two months. Further, the Company, at its sole discretion, may also seek a copy of a valid KYC document.

❖ **DO I NEED TO INFORM THE COMPANY IF MY ADDRESS CHANGES?**

If the address of the customer mentioned as per ‘Proof of Address’ undergoes a change, fresh proof of address should be submitted to the Company.

❖ **IS THE PERMANENT ACCOUNT NUMBER (PAN) MANDATORY?**

Yes, PAN is mandatory wherever it is available. In absence of PAN, Form 60 is required to be submitted.

❖ **WHAT DOCUMENTS ARE REQUIRED TO BE PROVIDED BY THE CUSTOMER AS PER THE APPLICABLE KYC NORMS?**

Various documents required to be submitted as per the KYC and AML Policy of the Company are as under:

(1) **KYC Documents for an Individual (as a Customer/ Beneficial Owner/ Authorized Signatory/ Power of Attorney holder for another individual/ entity)**

- (a) Recent photograph.
- (b) Copy of Permanent Account Number (PAN) card or the Form 60 where PAN not available.
- (c) Copy of one of the following **Officially Valid Documents (“OVD”)** that can be accepted for establishing the identity and the primary address:
  - (i) Proof of possession of Aadhaar number.
  - (ii) Passport.
  - (iii) Driving License.
  - (iv) Voter's Identity Card issued by the Election Commission of India.

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- (v) Job Card issued by NREGA duly signed by an officer of the State Government.
- (vi) Letter issued by the National Population Register containing details of name and address.

In case the OVD furnished by the customer does not contain updated address, the following documents may be deemed to be OVDs for the limited purpose of proof of address:

- (i) Utility bill which is not more than two months old of any service provider (electricity, telephone, post-paid mobile phone, piped gas, water bill);
- (ii) Property or Municipal tax receipt;
- (iii) Pension or family pension payment orders (PPOs) issued to retired employees by Government Departments or Public Sector Undertakings, if they contain the address;
- (iv) 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 & license agreements with such employers allotting official accommodation.

Provided, the customer shall submit OVD with current address within a period of three months of submitting the alternate documents specified above.

**(2) KYC Documents for Non-Individual Entities**

**(a) Sole Proprietary firms**

In addition to documents for the proprietor, any two of the following documents, as a proof of business/ activity in the name of the proprietary firm shall be required:

- (i) Registration certificate.
- (ii) Certificate/license issued by the municipal authorities under Shop and Establishment Act.
- (iii) GST and income tax returns.
- (iv) GST certificate (provisional/ final).
- (v) Certificate/registration document issued by Sales Tax/Service Tax/ Professional Tax authorities.
- (vi) IEC (Importer Exporter Code) issued to the proprietary concern by the office of DCFT/License/ certificate of practice issued in the name of the proprietary concern by any professional body incorporated under a statute.
- (vii) 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.

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(viii) Utility bills such as electricity, water, and landline telephone bills

In cases where Company is satisfied that it is not possible to furnish two such documents, the company may accept only one of those documents as proof of business/activity provided the company undertakes contact point verification and collects 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.

**(b) Other non-individual entities**

- (i) Certificate of Incorporation/ Registration certificate, as applicable.
- (ii) Memorandum and Articles of Association/ Partnership Deed or such constitutional documents.
- (iii) Permanent Account Number or Form No.60, as applicable.
- (iv) Document evidencing authority of the person to act on behalf of the entity.
- (v) Documents applicable to the individual acting on behalf of the entity.

❖ **HOW IS BENEFICIAL OWNER IDENTIFIED?**

**(a) 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 persons, has/have a controlling ownership interest or who exercise control through other means.

*Explanation- For the purpose of this sub-clause:*

- (i) **“Controlling Ownership Interest”** means ownership of/entitlement to more than 25% of the shares or capital or profits of the company.
- (ii) **“Control”** shall include the right to appoint majority of the directors or to control the management or policy decisions including by virtue of their shareholding or management rights or shareholders agreements or voting agreements.

**(b) Where the customer is a partnership firm,** the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15% of capital or profits of the partnership.

**(c) Where the customer is an unincorporated association or body of individuals,** the beneficial owner is the natural person(s), who, whether acting alone or together, or through one or more juridical person, has/have ownership of/entitlement to more than 15% of the property or capital or profits of the unincorporated association or body of individuals.

*Explanation: Term ‘body of individuals’ includes societies. Where no natural person is identified under (a), (b) or (c) above, the beneficial owner is the relevant natural person who holds the position of senior managing official.*

**(d) Where the customer is a trust,** the identification of beneficial owner(s) shall include identification of the author of the trust, the trustee, the beneficiaries

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with 15% 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.

❖ **ARE THERE OTHER DOCUMENTS, IN ADDITION TO THE KYC DOCUMENTS, ALSO REQUIRED TO BE PROVIDED BY THE CUSTOMER WITH THE LOAN APPLICATION?**

Yes, the customer shall be required to submit the following documents also with the loan application:

- (a) Documents relating to income, financial position, and employment/ business as required by the Company.
- (b) Photocopy of Title Documents of the Property, Approved Plan, as applicable etc.
- (c) Any other document including documents relating repayment track of existing loans, additional documents to justify repayment capacity etc., as may be required by the Company.

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**GRIHUM**  
HOUSING FINANCE

*Apna Ghar. Apni Pehchan.*

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