

By Speed Post/Fax

NHB (ND)/DRS/**POL-No-14**/2006

July 25, 2006

TO ALL REGISTERED HOUSING FINANCE COMPANIES

Dear Sir,

**KNOW YOUR CUSTOMER GUIDELINES - ANTI MONEY LAUNDERING
STANDARDS- REPORTING SYSTEM**

Please refer to our Circular No.NHB (ND)/DRS/POL-No-13/2006 dated April 10, 2006 on the captioned subject. The reporting system in this regard, has since been finalised in consultation with the Financial Intelligence Unit-India.

2. The formats for reporting the requisite information in respect of cash transactions and suspicious transactions are enclosed (Annexures 1 to 8). An illustrative (but not exhaustive) list of suspicious transactions in housing/ builder/project loans is furnished in Annexure 9 for information of the HFCs.

3. In terms of Rule 8 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 (copy may be downloaded from the FIU-IND website - [www.http://fiuindia.gov.in](http://fiuindia.gov.in)), the Principal Officer of the HFC shall furnish the information in respect of transactions referred to in rule 3, [other than transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3] every month by the 15th day of the succeeding month.

4. Information in respect of transactions referred to in clauses (C) and (D) of sub-rule (1) of rule 3 of the said rules shall be promptly furnished in writing or by way of fax or electronic mail to the Director, FIU-IND not later than three working days from the date of occurrence of such transactions.

5. The required information is to be furnished by the housing finance companies **directly** to the FIU-IND, through the Principal Officer designated by the housing finance company under the Prevention of Money Laundering Act, 2002. In view of the important nature of this work, it is desirable that a fairly senior officer, preferably of the level of General Manager or immediately below the level of CMD/ED of the HFC (depending on the internal organisational structure of the housing finance company) be designated as Principal Officer. The name of the Principal Officer so designated, may please be advised to the FIU-IND and also to NHB.

6. A copy of the 'Know Your Customer Policy' formulated by the Board of the housing finance company within the framework of Prevention of Money Laundering Act, 2002 as earlier advised in terms of paragraph 3 of our circular dated April 10, 2006 referred to above, may also be sent to National Housing Bank.

7. Please acknowledge receipt.

Yours faithfully

Sd/-

(R.Bhalla)

General Manager

Department of Regulation & Supervision

Encl: a/a

I. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO HOUSING
LOANS:

- a. Customer is reluctant to provide information, data, documents;
- b. Submission of false documents, data, purpose of loan, details of accounts;
- c. Refuses to furnish details of source of funds by which initial contribution is made, sources of funds is doubtful etc;
- d. Reluctant to meet in person, represents through a third party/Power of Attorney holder without sufficient reasons;
- e. Approaches a branch/office of a HFC, which is away from the customer's residential or business address provided in the loan application, when there is HFC branch/office nearer to the given address;
- f. Unable to explain or satisfy the numerous transfers in the statement of account/multiple accounts;
- g. Initial contribution made through unrelated third party accounts without proper justification;
- h. Availing a top-up loan and/or equity loan, without proper justification of the end use of the loan amount;
- i. Suggesting dubious means for the sanction of loan;
- j. Where transactions do not make economic sense;
- k. There are reasonable doubts over the real beneficiary of the loan and the flat to be purchased;
- l. Encashment of loan amount by opening a fictitious bank account;
- m. 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;
- n. Sale consideration stated in the agreement for sale is abnormally higher/lower than what is prevailing in the area of purchase;
- o. Multiple funding of the same property/dwelling unit;
- p. Request for payment made in favour of a third party who has no relation to the transaction;
- q. 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.
- r. Multiple funding / financing involving NGO / Charitable Organisation / Small / Medium Establishments (SMEs) / Self Help Groups (SHGs) / Micro Finance Groups (MFGs)
- s. Frequent requests for change of address;
- t. Overpayment of instalments with a request to refund the overpaid amount

II. ILLUSTRATIVE LIST OF SUSPICIOUS TRANSACTIONS PERTAINING TO
BUILDER/PROJECT LOANS:

- a. Builder approaching the HFC for a small loan compared to the total cost of the project;
- b. Builder is unable to explain the sources of funding for the project;
- c. Approvals/sanctions from various authorities are proved to be fake;

MANUAL REPORTING FORMATS

1. MCTR (Manual Cash Transaction Report) for HFCs- Annex-1
2. MCTR(IDS)-Annexure-A (Manual Cash Transaction Report- Individual detail sheet for HFCs)- Annex-2
3. MCTR(LP/Entity-Details)-Annexure-B (Manual Cash Transaction Report- Legal Person/Entity detail sheet for HFCs)- Annex-3
4. MCTR(S) Summary of Manual Cash Transaction Reports for HFCs- Annex-4
5. MSTR (Manual Suspicious Transactions Report) for HFCs- Annex-5
6. MSTR(IDS)-Annex-A (Manual Suspicious Transactions Report- Individual detail sheet)-Annex-6
7. MSTR(LP/Entity-Details)-Annexure-B (Manual Suspicious Transaction Report-Legal persons/Entity)-Annex-7
8. MSTR(ADS)-Annexure-C (Manual Suspicious Transaction Report-Account Details Sheet)-Annex-8
9. Illustrative (but not exhaustive) list of suspicious transactions in housing/builder/project loans

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