

INDIA HOME LOANS LIMITED

KNOW YOUR CUSTOMER (KYC) AND ANTI MONEY LAUNDERING (AML) MEASURES POLICY

1. Introduction:

National Housing Bank (NHB) has issued guidelines on Know Your Customer (KYC) and Anti-Money Laundering (AML) vide its circular bearing NHB/ND/DRS/POL- No. 33/2010-11 dated October 11, 2010 and further amendments from time to time as per Master Circular NHB(ND)/DRS/REG/MC-04/2018 July 2, 2018 and RBI has issued guidelines vide its Master Direction – Non-Banking Financial Company – Housing Finance Company (Reserve Bank) Directions, 2021 dated February 17, 2021 advising Housing Finance Companies (HFCs) to ensure that a proper policy framework on 'Know Your Customer' and 'Anti-Money Laundering Measures' is put in place and to follow certain customer identification processes for opening of accounts and monitoring transactions of suspicious nature keeping in view the possibility of the use of money through these accounts for criminal and other unlawful purposes for which a new legislation namely Prevention of Money Laundering Act 2002 has been framed. HFCs were required to frame their own KYC & AML policy keeping in view the broad guidelines circulated by NHB in this regard, and implement the same after seeking the requisite Board approval. Accordingly, India Home Loans Limited ("Company") has framed the following KYC & AML Policy.

2. Main Objective of the Policy:

The key objective of the KYC & AML policy is to ensure that the Company's money is not used, intentionally or unintentionally, directly or indirectly, for any unlawful and prohibited activities or purpose particularly those which are covered by Prevention of Money Laundering Act 2002(PMLA) and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005 (as amended from time to time) notified by the Government of India. At the same time KYC & AML Policy will also enable the Company to have more transparent and specific information about their customers and their financial dealings which will enable the Company to effectively determine risk level involved in different loan transactions and will help the Company to undertake effective risk management.

KYC & AML Policy will be applicable to all types of customers including individual, partnership firms, employees, corporate entities, associations, trusts, societies or any other entity having a legal status. This policy will also cover those persons who are the real beneficiaries of the credit facilities extended by the Company and those who represent such persons or entities.

3. Definitions

For the purposes of the Policy, unless the context otherwise requires, the terms herein shall bear the meanings assigned to them in the Directions as well as the Prevention of Money-Laundering Act, 2002 read with the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005. Illustratively, in the context of this Policy, the following terms shall have the assigned meanings (subject to the provisions of the Directions, the Act and the Rules):

- i. "Aadhaar number" shall have the meaning assigned to it in clause (a) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016);
- ii. "Act" and "Rules" means the Prevention of Money-Laundering Act, 2002 and the Prevention of Money-Laundering (Maintenance of Records) Rules, 2005, respectively and amendments thereto.
- iii. "Authentication", in the context of Aadhaar authentication, means the process as defined under sub-section (c) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016.
- iv. Beneficial Owner (BO):- 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 1. "Controlling ownership interest" means ownership of/entitlement to more than 25 per cent of the shares or capital or profits of the company. 2. "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 per cent 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 per cent 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 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.
- v. "Certified Copy" - Obtaining a certified copy by the Company shall mean comparing the copy of the proof of possession of Aadhaar number where offline verification cannot be carried out or officially valid document so produced by the customer with the original and recording the same on the copy by the authorised officer of the Company as per the provisions contained in the Act. Provided that in case of Non-Resident Indians (NRIs) and Persons of Indian Origin (PIOs), as defined in Foreign Exchange Management (Deposit) Regulations, 2016, alternatively, the original certified copy, certified by any one of the following, may be obtained: • authorised officials of overseas branches of Scheduled Commercial Banks registered in India, • branches of overseas banks with whom Indian banks have relationships, • Notary Public abroad, • Court Magistrate, • Judge, • Indian Embassy/Consulate General in the country where the non-resident customer resides.

- vi. "Central KYC Records Registry" (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.
- vii. "Designated Director" means a person designated by the Company to ensure overall compliance with the obligations imposed under chapter IV of the PML Act and the Rules and shall be the Managing Director or a whole-time Director, duly authorized by the Board of Directors Explanation - For the purpose of this clause, the terms "Managing Director" and "Whole-time Director" shall have the meaning assigned to them in the Companies Act, 2013.
- viii. "Digital KYC" means the capturing live photo of the customer and officially valid document or the proof of possession of Aadhaar, where offline verification cannot be carried out, along with the latitude and longitude of the location where such live photo is being taken by an authorised officer of the Company as per the provisions contained in the Act.
- ix. "Digital Signature" shall have the same meaning as assigned to it in clause (p) of subsection (1) of section (2) of the Information Technology Act, 2000 (21 of 2000).
- x. "Equivalent e-document" means an electronic equivalent of a document, issued by the issuing authority of such document with its valid digital signature including documents issued to the digital locker account of the customer as per rule 9 of the Information Technology (Preservation and Retention of Information by Intermediaries Providing Digital Locker Facilities) Rules, 2016.
- xi. "Know Your Client (KYC) Identifier" means the unique number or code assigned to a customer by the Central KYC Records Registry.
- xii. "Non-profit organizations" (NPO) means any entity or organization that is registered as a trust or a society under the Societies Registration Act, 1860 or any similar State legislation or a company registered under Section 8 of the Companies Act, 2013.
- xiii. "Officially Valid Document" (OVD) means the passport, the driving licence, proof of possession of Aadhaar number, the Voter's Identity Card issued by the Election Commission of India, job card issued by NREGA duly signed by an officer of the State Government and letter issued by the National Population Register containing details of name and address. Provided that, a. where the customer submits his proof of possession of Aadhaar number as an OVD, he may submit it in such form as are issued by the Unique Identification Authority of India. b. where the OVD furnished by the customer does not have updated address, the following documents or the equivalent e-documents thereof shall 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 and licence agreements with such employers allotting official accommodation; c. the customer shall submit OVD with current address within a period of three months of submitting the documents specified at 'b' above d. where the OVD presented by a foreign national does not contain the details of address, in such case the documents issued by the Government departments of foreign jurisdictions and

letter issued by the Foreign Embassy or Mission in India shall be accepted as proof of address. Explanation: For the purpose of this clause, a document shall be deemed to be an OVD even if there is a change in the name subsequent to its issuance provided it is supported by a marriage certificate issued by the State Government or Gazette notification, indicating such a change of name.

- xiv. "Offline verification" shall have the same meaning as assigned to it in clause (pa) of section 2 of the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 (18 of 2016).
- xv. "Person" has the same meaning assigned in the Act and includes: a. an individual, b. a Hindu undivided family, c. a company, d. a firm, e. an association of persons or a body of individuals, whether incorporated or not f. every artificial juridical person, not falling within any one of the above persons (a to e), and g. any agency, office or branch owned or controlled by any of the above persons (a to f).
- xvi. "Principal Officer" means an officer nominated by the Company, responsible for furnishing information as per rule 8 of the Rules.
- xvii. "Suspicious transaction" means a "transaction" as defined below, including an attempted transaction, whether or not made in cash, which, to a person acting in good faith: a. gives rise to a reasonable ground of suspicion that it may involve proceeds of an offence specified in the Schedule to the Act, regardless of the value involved; or b. appears to be made in circumstances of unusual or unjustified complexity; or c. appears to not have economic rationale or bona-fide purpose; or d. gives rise to a reasonable ground of suspicion that it may involve financing of the activities relating to terrorism. Explanation: Transaction involving financing of the activities relating to terrorism includes transaction involving funds suspected to be linked or related to, or to be used for terrorism, terrorist acts or by a terrorist, terrorist organization or those who finance or are attempting to finance terrorism. Explanation: "Transaction" means a purchase, sale, loan, pledge, gift, transfer, delivery or the arrangement thereof and includes: a. opening of an account; b. deposit, withdrawal, exchange or transfer of funds in whatever currency, whether in cash or by cheque, payment order or other instruments or by electronic or other non-physical means; c. the use of a safety deposit box or any other form of safe deposit; d. entering into any fiduciary relationship; e. any payment made or received, in whole or in part, for any contractual or other legal obligation; or f. establishing or creating a legal person or legal arrangement.
- xviii. "Video based Customer Identification Process (V-CIP)": a method of customer identification by an official of the Company by undertaking seamless, secure, real-time, consent based audio-visual interaction with the customer to obtain identification information including the documents required for CDD purpose, and to ascertain the veracity of the information furnished by the customer. Such process shall be treated as face-to-face process for the purpose of this Master Direction.
- xix. "Common Reporting Standards" (CRS) means reporting standards set for implementation of multilateral agreement signed to automatically exchange information based on Article 6 of the Convention on Mutual Administrative Assistance in Tax Matters.

- xx. "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.
- xxi. "Walk-in Customer" means a person who does not have an account-based relationship with the Company, but undertakes transactions with the Company.
- xxii. "Customer Due Diligence (CDD)" means identifying and verifying the customer and the beneficial owner.
- xxiii. "Customer Identification" means undertaking the process of CDD.
- xxiv. "FATCA" means Foreign Account Tax Compliance Act of the United States of America (USA) which, inter alia, requires foreign financial institutions to report about financial accounts held by U.S. taxpayers or foreign entities in which U.S. taxpayers hold a substantial ownership interest.
- xxv. "IGA" means Inter Governmental Agreement between the Governments of India and the USA to improve international tax compliance and to implement FATCA of the USA.
- xxvi. "KYC Templates" means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.
- xxvii. "Non-face-to-face customers" means customers who open loan accounts without visiting the branch/offices of the Company or meeting the officials of Company.
- xxviii. "On-going Due Diligence" means regular monitoring of transactions in loan accounts to ensure that they are consistent with the customers' profile and source of funds.
- xxix. "Periodic Updation" means steps taken to ensure that documents, data or information collected under the CDD process is kept up-to-date and relevant by undertaking reviews of existing records at periodicity prescribed by the Reserve Bank.
- xxx. "Politically Exposed Persons" (PEPs) are individuals who are or have been entrusted with prominent public functions in a foreign country, e.g., Heads of States/Governments, senior politicians, senior government/judicial/military officers, senior executives of state-owned corporations, important political party officials, etc.
- xxxi. "Wire transfer" means a transaction carried out, directly or through a chain of transfers, on behalf of an originator person (both natural and legal) through a bank by electronic means with a view to making an amount of money available to a beneficiary person at a bank.
- xxxii. "Domestic and cross-border wire transfer": When the originator bank and the beneficiary bank is the same person or different person located in the same country, such a transaction is a domestic wire transfer, and if the 'originator bank' or 'beneficiary bank' is located in different countries such a transaction is cross-border wire transfer.

All other expressions unless defined herein shall have the same meaning as have been assigned to them under the Banking Regulation Act, 1949, the Reserve Bank of India Act, 1935, the Prevention of Money Laundering Act, 2002, the Prevention of Money Laundering (Maintenance of Records) Rules, 2005, the Aadhaar (Targeted Delivery of Financial and Other Subsidies, Benefits and Services) Act, 2016 and regulations made thereunder, any statutory modification or re-enactment thereto or as used in commercial parlance, as the case may be.

Designated Director

(a) A “Designated Director” means a person designated by the Company to ensure overall compliance with the obligations imposed under Chapter IV of the PML Act and the Rules and shall be nominated by the Board. The Company has nominated Managing Director / Chief Executive Officer as its “Designated Director” under this Policy and intimated the same to NHB/RBI and the FIU-IND.

(b) The name, designation and address of the Designated Director shall be communicated to, including any changes to information previously submitted, the NHB/RBI and FIU-IND.

(c) In no case, the Principal Officer shall be nominated as the 'Designated Director'.

Principal Officer

(a) The Company will appoint a “Principal Officer” (preferably of the level of General Manager or immediately below the level of CMD/MD of the Company). The Company has appointed its Company Secretary as the Principal Officer under this Policy and intimated the same to NHB/RBI and the FIU-IND.

(b) The Principal Officer shall be responsible for ensuring compliance, monitoring transactions, and sharing and reporting information as required under the law/regulations.

(c) The name, designation and address of the Principal Officer shall be communicated to, including any changes to information previously submitted, the NHB/RBI and FIU-IND.

2.1 Key Elements

- A. Customer Acceptance Policy (CAP)
- B. Risk Categorization & Management
- C. Customer Identification Procedures (CIP)
- D. Monitoring of Transactions and Maintenance of records of transactions and
- E. Risk Management

A. CUSTOMER ACCEPTANCE POLICY (CAP)

Norms and Procedures:

While taking decision to grant any credit facility to customers as well as during the continuation of any loan account of the customer the following norms will be adhered to by the Company:

- i) No loan account will be opened nor any loan will be disbursed in a name which is anonymous or fictitious or appears to be a name borrowed only for the purpose of opening the loan account i.e. Benami Account. Company shall insist for sufficient proof about the identity of the customer to ensure his physical and legal existence at the time of accepting the application form from any customer.

ii) All such loan requests where the customer, without sufficient cause, does not provide information and documentary evidence in terms of the requirements outlined by the Company in loan application form, to the satisfaction of the Company will not be processed unless the customer has genuine difficulty or reason for not providing such information, but the Company even in the absence of the such information is otherwise satisfied about the identity and credentials of the customer on the basis of independent verification conducted by the Company at its own level without the knowledge of the customer.

iii) Circumstances, in which a customer is permitted to act on behalf of another person/entity, shall 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

iv) While collecting information from the customers about his identity, work place, status, financial resources, the business shall keep in mind the obligations of Company as Housing Finance Company laid down under PMLA and Rules or Regulations framed there under, directions issued by NHB or any other Government agency on the matters relating to maintenance and furnishing of information by financial institutions to the authorities constituted under PMLA or any other authorities empowered under law to seek any information from the company about the customers.

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v) Company shall not open any account or give any loan nor sanction any loan in the following circumstances:

- a) Company is unable to verify the identity of the customer;
- b) Customer without any valid or convincing reasons refuses to provide documents to the Company which are needed to determine the risk level in relation to the customer loan applied for by the customer and his paying capacity;
- c) Information furnished by the customer does not originate from the reliable sources or appears to be doubtful due to lack of supporting evidence.
- d) Identity of the customer, directly or indirectly matches with any individual terrorist or terrorist or prohibited/unlawful organizations, whether existing with in the country or internationally, or if the customer or beneficiary is found, even remotely, to be associated with or affiliated to any illegal, prohibited or unlawful or terrorist organization as notified from time to time either by Govt. of India, State Govt. or any other national or international body/organization.

vi) Customer acceptance policy shall not result in denial of financial facility to members of the general public, especially those, who are financially or socially disadvantaged.

B. Risk Categorization & Management:

(I) There will be level wise categorization of customers i.e. Level-I (Low Risk), Level-II (Medium Risk) and Level-III (High Risk) categories. Such levels will be decided on the basis of risk element involved in each case which will be determined by considering the following information submitted by the customer:

- a) Nature of business of the Customer.
- b) Work place of customer and of his clients.
- c) volume of business six monthly/annual turn-over.
- d) social and financial status
- e) quantum and tenure of loan facility applied for and proposed schedule for repayment of loan

Level-I customers

Normally, Level-I customers would be salaried employees having definite and well-defined salary structure, employees of Government Departments or Government owned companies, statutory bodies,

Level -II customers

Non Salaried Individual, people belonging to low income group whose financial resources although show small balance in their bank accounts and low turnover, but on the other hand indicate regular and consistent flow of financial returns/income showing capacity to repay without default.

Level -III customers

Politically Exposed Persons (PEP), Family members and close relatives of PEP, Very high cash transactions (Rs. 10 Lakhs) and suspicious transactions reported to FIU-IND, Persons with dubious reputation as per public information available, Persons whose sources of income are not clear, Non-face to face meeting customers.

(II) Information to be collected from the customers will vary according to categorization of customer from the point of view of risk perceived. Special care and diligence will be taken and exercised in respect of those customers who happen to be high profile and/or politically exposed persons within or outside country. Such persons will include foreign delegates or those working in foreign high commissions or embassies, senior politicians, senior judicial officers, senior military officers, senior executives of state owned corporations and officials of important and leading political parties (as explained in Annexure - 2).

(III) The profile of new customers will be prepared on risk categorization basis. Such profile will contain the following information about the new customers:

- a) Customer's Identity;
- b) Social and financial status of the customer;

c) Nature of the business activity;

d) Information about the business of the customer's clients and their locations;

VI) The extent of due diligence requirement will vary from case to case as the same will depend upon risk perceived by the Company while granting credit facilities to customers. For the purpose of preparing customer profile only such relevant information from the customers will be sought based on which the Company can easily decide about the risk category in which the customer is to be placed. Ordinarily, the customer profile maintained by the Company will be kept confidential save and except where the customer himself allows and/or gives consent for the use of the information given in customer profile/application form for the purpose of offering other products/services of other companies/entities belonging to the Company's Group or any other legal entity with whom the Company is having any business tie-ups. However, while taking any such permission or consent of the customer for using his above referred information provided to the Company, it will be ensured that such permission/consent of the customer is unambiguous and explicit.

V) Cases in which the risk level is higher will require intensive due diligence exercise. Such cases will include those where the source of funds to be used for business operations or sources to repay the loan to the Company are not clearly disclosed or can not be ascertained from the financial statements submitted by the customer to the Company.

VI) Frequency of Risk categorisation and Management

- a For Level I and Level II customers who are in Standard Stage, the company will do Risk categorisation once in every two years
- b For all other customers, the company will do Risk categorisation and management activity every year.

Besides above, some of such customers in whose cases the Company will require higher due diligence measures are mentioned below:

- a) NRI Customers;
- b) Trusts
- c) Societies;
- d) Charitable Institutions;
- e) NGOs and other organizations receiving donations from within or outside the country.
- f) Partnership firms with sleeping partners;
- g) Family owned Companies;
- h) Persons with dubious or notorious reputation as per the information available from different sources like media, newspapers etc.
- i) Companies having close family shareholding or beneficial ownership.
- j) Politically exposed persons (PEPs) of foreign origin means 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, important political officials.

C. CUSTOMER IDENTIFICATION PROCEDURE (CIP)

Customer identification means identifying the customer and verifying his / her identity by using reliable, independent source documents, data or information. The Company needs to obtain sufficient information necessary to establish, to their satisfaction, the identity of each new customer, whether regular or occasional and the purpose of the intended nature of relationship. Being risk perception, the nature of information / documents required would also depend on the type of customer (individual, corporate etc.)

Company shall obtain the following from an individual while establishing a loan account-based relationship or while dealing with the individual who is a beneficial owner, authorised signatory or the power of attorney holder related to any legal entity:

- (a) the Aadhaar number where,
 - (i) he is desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 (18 of 2016); or
 - (ii) he decides to submit his Aadhaar number voluntarily in terms of the first proviso to sub-section (1) of section 11A of the PML Act; or
- (b) the proof of possession of Aadhaar number where offline verification can be carried out; or
- (c) the proof of possession of Aadhaar number where offline verification cannot be carried out or any OVD or the equivalent e-document thereof containing the details of his identity and address; and
- (d) the Permanent Account Number (PAN) or the equivalent e-document thereof or Form No. 60 as defined in Income-tax Rules, 1962; and
- (e) such other identity documents including in respect of the nature of business and financial status of the customer, or the equivalent e-documents thereof as may be required by the Company as per the Credit Policy of the Company:

Provided that where the customer has submitted:

- i) Aadhaar number in line the first proviso to sub-section (1) of section 11A of the PML Act, the Company shall carry out authentication of the customer's Aadhaar number using e-KYC authentication facility provided by the Unique Identification Authority of India. Further, in such a case, if customer wants to provide a current address, different from the address as per the identity information available in the Central Identities Data Repository, he may give a self-declaration to that effect to the Company.
- ii) proof of possession of Aadhaar where offline verification can be carried out, the Company shall carry out offline verification.
- iii) an equivalent e-document of any OVD, the Company shall verify the digital signature as per the provisions of the Information Technology Act, 2000 (21 of 2000) and any rules issues thereunder and take a live photo as specified under Annex I.
- iv) any OVD or proof of possession of Aadhaar number where offline verification cannot be carried out, the Company shall carry out verification through digital KYC as specified under Annex I, subject to any notifications issued by the Government permitting obtaining of a certified copy of the

proof of possession of Aadhaar number or the OVD and a recent photograph, where an equivalent e-document is not submitted.

Provided further that in case e-KYC authentication cannot be performed for an individual desirous of receiving any benefit or subsidy under any scheme notified under section 7 of the Aadhaar (Targeted Delivery of Financial and Other subsidies, Benefits and Services) Act, 2016 owing to injury, illness or infirmity on account of old age or otherwise, and similar causes, Company shall, apart from obtaining the Aadhaar number, perform identification preferably by carrying out offline verification or alternatively by obtaining the certified copy of any other OVD or the equivalent e-document thereof from the customer. CIP done in this manner shall invariably be carried out by an official of the Company and such exception handling shall also be a part of the concurrent audit. The Company shall ensure to duly record the cases of exception handling in a centralized exception database. The database shall contain the details of grounds of granting exception, customer details, name of the designated official authorizing the exception and additional details, if any. The database shall be subjected to periodic internal audit/inspection by the Company and shall be available for supervisory review.

Explanation 1: The Company shall, where its customer submits a proof of possession of Aadhaar Number containing Aadhaar Number, ensure that such customer redacts or blacks out his Aadhaar number through appropriate means where the authentication of Aadhaar number is not required as per proviso (i) above.

Explanation 2: Biometric based e-KYC authentication can be done by the Company subject to compliance with applicable law.

Explanation 3: The use of Aadhaar, proof of possession of Aadhaar etc., shall be in accordance with the Aadhaar (Targeted Delivery of Financial and Other Subsidies Benefits and Services) Act, 2016 and the regulations made thereunder.

The Company may undertake live V-CIP, subject to the applicable laws, to be carried out by an official of the Company, for establishment of a loan account based relationship with an individual customer, after obtaining his informed consent and shall adhere to the following stipulations:

- i. The official of the Company performing the V-CIP shall record video as well as capture photograph of the customer present for identification and obtain the identification information only by Offline Verification of Aadhaar for identification.
- ii. The Company will capture a clear image of PAN card to be displayed by the customer during the process, except in cases where e-PAN is provided by the customer. The PAN details shall be verified from the database of the issuing authority.
- iii. Live location of the customer (Geotagging) shall be captured to ensure that customer is physically present in India
- iv. The official of the Company shall ensure that photograph of the customer in the Aadhaar/PAN details matches with the customer undertaking the V-CIP and the identification details in Aadhaar/PAN shall match with the details provided by the customer.
- v. The official of the Company shall ensure that the sequence and/or type of questions during video interactions are varied in order to establish that the interactions are real-time and not pre-recorded.
- vi. In case of offline verification of Aadhaar using XML file or Aadhaar Secure QR Code, it shall be ensured that the XML file or QR code generation date is not older than 3 days from the date of carrying out V-CIP.
- vii. All loan accounts opened through V-CIP shall be made operational only after being subject to concurrent audit, to ensure the integrity of process.

- viii. The Company will ensure that the process is a seamless, real-time, secured, end-to-end encrypted audio-visual interaction with the customer and the quality of the communication is adequate to allow identification of the customer beyond doubt. The Company shall carry out the liveness check in order to guard against spoofing and such other fraudulent manipulations.
- ix. To ensure security, robustness and end to end encryption, the Company shall carry out software and security audit and validation of the V-CIP application before rolling it out.
- x. The audio-visual interaction shall be triggered from the domain of the Company itself, and not from third party service provider, if any. The V-CIP process shall be operated by officials specifically trained for this purpose. The activity log along with the credentials of the official performing the V-CIP shall be preserved.
- xi. The Company will ensure that the video recording is stored in a safe and secure manner and bears the date and time stamp.
- xii. The Company is encouraged to take assistance of the latest available technology, including Artificial Intelligence (AI) and face matching technologies, to ensure the integrity of the process as well as the information furnished by the customer. However, the responsibility of customer identification shall rest with the Company.
- xiii. The Company shall ensure to redact or blackout the Aadhaar number in terms of applicable law.

Photographs:

- Passport size photographs should be obtained from borrowers, guarantors and depositors
- In the case of joint accounts, partnership accounts, accounts of Societies, clubs, HUF, Trust and those of minors etc photographs of the Authorized Signatories should be obtained;
- In case of change in the Authorized Signatories, photograph of the new signatory should be obtained duly countersigned by the competent authorities of the concerned Institution /organization ;
- Photographs should be obtained in NRI accounts
- Where the account is operated by the letters of Authority or Power of Attorney Holder photograph of the authority holder should be obtained duly attested by the Borrower/depositor.

Proof of customers' address:

1. Loan Accounts of Individuals: In order to confirm the correctness of the address given by the account holder in the account opening form any one of the following documents of the account holder may be obtained for verifying the address there from;
- Driving License
 - AADHAAR
 - Passport
 - PAN card
 - Telephone / Electricity Bills
 - Rent receipt.
 - Municipal / Assessment Order
 - Income Tax Assessment Order

- Voter's identity Card
- Identity Card containing the address issued by the employer (subject to satisfaction of the Company)

A Photo copy of the above proof should be filed along with the account opening forms / loan application. In case of need, Company Manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

2. Loan Accounts of companies: In order to confirm the correctness of the Name of the company, Principal place of business, Mailing address of the company, Telephone / fax number given in the account opening form, the following documents may be obtained for verification:

- Certificate of incorporation and Memorandum and Article of Association
- Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account.
- Power of Attorney granted to its managers, officers or employees to transact business on its behalf. • Copy of PAN Allotment letter
- Copy of the telephone bill

A Photo copy of the above proof should be filed along with the account opening form / loan application form. In case of need, Company Manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

3. Loan Account of Partnership firms: In order to confirm the correctness of the Legal Name, Address, name of all partners and their addresses and Telephone numbers of the firm and partners given in the account opening form, the following documents may be obtained for verification:

- Registration certificate, if registered
- Partnership deed
- Power of Attorney granted to a partner or an employee of the firm to transact business on its behalf
- Any officially valid document identifying the partners and the person holding the Power of Attorney and their addresses
- Telephone bill in the name of firm / partners

A Photo copy of the above proof should be filed along with the account opening form / loan application. In case of need, Company manager can depute an official to visit the account holder / loan applicant at the given address to satisfy about the genuineness of the address.

4. Loan Accounts of trusts and foundations: In order to confirm the correctness of the Name of trustees, settlers, beneficiaries and signatories, Names and addresses of the founder, the manager / directors and the beneficiary/ies, Telephone / fax numbers, the following documents may be obtained for verification:

- Trust Deed
- Certificate of registration, if registered
- Power of Attorney to transact business on its behalf
- Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders / managers / directors and their addresses.
- Resolution of the managing body of the foundation / association
- Telephone bill

A Photo copy of the above proof should be filed along with the account opening form / loan application. In case of need, Company Manager can depute an official to visit the account holder/ loan applicant at the given address to satisfy about the genuineness of the address.

5. Accounts of unincorporated association or a body of individuals:

- resolution of the managing body of such association or body of individuals
- power of attorney granted to him to transact on its behalf
- an officially valid document in respect of the person holding an attorney to transact on its behalf
- and any other information/document as may be required by the Company to collectively establish the legal existence of such an association or body of individuals.

As per the provisions of 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), the Company shall:

- 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.

In terms of proviso to rule 9 of the PML Rules, the relaxation, in verifying the identity of the client within a reasonable time after opening the account/ execution of the transaction, stands withdrawn.

Abiding by the provisions of Rule 9, the Company shall identify the beneficial owner and take all reasonable steps to verify his identity. The said Rule also requires that the Company should exercise ongoing due diligence with respect to the business relationship with every client and closely examine the

transactions in order to ensure that they are consistent with their knowledge of the customer, his business and risk profile.

Customer identification requirements keeping in view the provisions of the said rule are given in Annexure - 2 for guidance of the Company.

D. MONITORING OF TRANSACTIONS AND MAINTENANCE OF RECORDS OF TRANSACTIONS:

1 It is equally essential for the Company to have a clear knowledge and understanding about the normal working pattern and activity of the customer so that the Company can identify all such unusual transactions which would fall outside the normal transactions of the customer. To achieve this purpose, ongoing monitoring is necessary. The extent of such monitoring will depend upon the level of risk involved in case. Any transaction or activity of the customer which gives rise to suspicion will be given special attention. Such monitoring is important to keep a check on any act or omission of the customer which may amount to money laundering or support any act relating to user of finance for criminal activities.

2. The Company will keep a continuous vigil if any of the following acts or events are noticed in relation to the customer's approach or behaviour while dealing with the Company:

- I) Reluctance of the customer to provide confirmation regarding his identity;
- II) Loan money is used for the purpose other than the one mentioned in the loan application form and the real purpose is not disclosed to the Company;
- III) Customer forecloses the loan within 2-4 months of availing the Loan facility as against the loan tenure of 12 to 36 months;
- III) Customer suddenly pays a substantial amount towards partial repayment of the loan after paying few EMIs;
- IV) Customer deposits with Company substantial cash amount after his EMI cheques have bounced and/or insists for cash payment in future to repay the remaining loan amount;
- V) Customer defaults regularly and then pays substantial cash at periodical intervals i.e. once in six months.

Company should pay special attention to all complex, high-risk, unusually large transactions and all unusual or suspicious patterns which have no apparent economic or visible lawful purpose.

The Company shall pay particular attention to the transactions which exceed the limits of Rs.10 lakhs, either per transaction or credit and debit summation in a single financial year. This would include transactions where the customer by way repayment of loan, whether in part or full, deposits Rs. 10 lakhs and above (either through cash or through a negotiable instrument). Such transactions shall be reported to Head of the Collection and finance Department and the Principal Officer appointed as per this policy. In such cases the Company shall keep a close and careful watch on the subsequent mode of payments adopted by such customer.

Company shall ensure that proper record of all transactions and cash transactions (deposits and withdrawals) of Rs.10 lakhs and above in the accounts is preserved and maintained as required under the PMLA.

The Company shall introduce a system of maintaining proper record of the following transactions:

- 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;
- V. 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; V. all suspicious transactions whether or not made in cash and by way of as mentioned in the Rules.

Branches to continue maintaining proper record of all cash transactions (deposits and withdrawals) of Rs.10 lakhs and above. The internal monitoring system to have an inbuilt procedure for reporting of such transactions and those of suspicious nature whether made in cash or otherwise, to controlling/head office on a fortnightly basis.

The record shall be preserved in the following manner:

- (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.

The information in respect of the transactions referred to in clauses I., II. and III. referred above will be submitted to the Designated Director every month by the 15th day of the succeeding month.

The information in respect of the transactions referred to in clause IV. referred above will be furnished promptly to the Designated Director in writing, or by fax or by electronic mail not later than seven working days from the date of occurrence of such transaction.

The information in respect of the transactions referred to in clause V. referred above will be furnished promptly to the Designated Director in writing, or by fax or by electronic mail not later than seven working days on being satisfied that transaction is suspicious.

Strict Confidentiality will be maintained by the Company and its employees of the fact of furnishing/ reporting details of such suspicious transactions.

As advised by the FIU-IND, New Delhi the Company will not be required to submit 'NIL' reports in case there are no Cash/Suspicious Transactions, during a particular period.

The required information will be furnished by the Company directly to the FIU-IND, through the designated Principal Officer.

In addition to the Ordinary Monitoring Standards, any high-risk accounts should also receive the following monitoring:

- 1) Conduct periodic reviews with the compliance Officer of all medium- to high-risk accounts.
- 2) Create additional reports designed to monitor all transactions in an account to detect patterns of potential illegal activities.
- 3) Follow up on any exceptions detected from the monitoring reports by contacting the account owner personally to inquire about the unusual activity detected and regularly report status of account inquiries to Compliance Officer.

E. RISK MANAGEMENT

I. For effective implementation of KYC policy there will be a proper co-ordination, communication and understanding amongst all the departments of the Company. The Board of directors shall ensure that an effective KYC program is put in place by establishing proper procedures and ensuring their effective implementation. Heads of all the Departments will ensure that the respective responsibilities in relation to KYC policy are properly understood, appreciated and discharged with utmost care and attention by all the employees of the Company.

II. The Compliance department of the Company will carry out quarterly checks to find out as to whether all features of KYC policy are being followed and adhered to by all concerned departments.

III. Company will take steps to ensure that its internal auditors are made well versed with this policy who will carry out regular checks about the compliance of KYC procedures by all branches of the Company. Any lapse or short coming observed by the internal auditors will be brought to the notice of Head of the concerned department. There will be quarterly assessment to check the compliance level by a committee to be constituted by the Board.

IV. The Company will conduct at regular intervals training programmes to impart training to its staff members regarding KYC procedures to ensure consistent and highest degree of compliance level.

The inadequacy or absence of KYC standards can subject the Company to serious risks especially reputational, operational, legal and concentration risks.

- **Reputational risk** is defined as the risk of loss confidence in the integrity of the institution, that adverse publicity regarding the Company's business practices and associations, whether accurate or not causes.

- **Operational risk** can be defined as the risk of direct or indirect loss resulting from inadequate or failed internal processes, people and systems or from external events.
- **Legal risk** is the possibility that law suits, adverse judgments or contracts that turn out to be unenforceable can disrupt or adversely affect the operations or condition of the Company.
- **Concentration risk** although mostly applicable on the assets side of the balance sheet, may affect the liability as it is also closely associated with funding risk, particularly the risk of early and sudden withdrawal of funds by large depositors, with potentially damaging consequences for the liquidity of the Company.

All these risks are interrelated. Any one of them can result in significant financial cost to the company and diverts considerable management time and energy to resolving problems that arise.

F. POLICY IMPLEMENTATION GUIDELINES

a. CUSTOMER EDUCATION:

For implementing KYC Policy, the Company shall have to seek personal and financial information from the new and intended customers at the time they apply for availing the loan facilities. It is likely that any such information, if asked from the intended customer, may be objected to or questioned by the customers. To meet such situation it is necessary that the customers are educated and apprised about the sanctity and objectives of KYC procedures so that the customers do not feel hesitant or have any reservation while passing on the information to the Company. For this purpose, all the staff members with whom the customers will have their first interaction/dealing will be provided special training to answer any query or questions of the customers and satisfy them while seeking certain information in furtherance of KYC Policy. To educate the customers and win their confidence in this regard, Company may arrange printed materials containing all the relevant information regarding KYC Policy and anti money laundering measures. Such printed materials will be circulated amongst the customers and in case of any question from any of the customer, the Company staff will attend the same promptly and provide explain reason for seeking any specific information and satisfy the customer in that regard.

b. INTRODUCTION OF NEW TECHNOLOGIES

As part of the KYC and AML Policy, special attention should be paid to any money laundering threats that may arise from new or developing technologies including on-line transactions that might favour anonymity, and adequate measures, if needed, should be taken to prevent their use in money laundering schemes.

c. – APPLICABILITY TO BRANCHES AND SUBSIDIARIES OUTSIDE INDIA

The KYC and AML Policy will also apply to the branches and majority owned subsidiaries of the Company located abroad, if any. When local applicable laws and regulations prohibit implementation of these guidelines, the same will be brought into the notice of National Housing Bank and the RBI.

Commented [Ayushi2]: Added by Internal Auditor

d. KYC POLICY FOR EXISTING CUSTOMERS:

Although this KYC Policy will apply and govern all the new and prospective customers, but some of the KYC procedures laid down in this policy particularly which deal with Customer Identification, Monitoring of Transactions and Risk Management can be effectively applied to the existing customers and their loan accounts. While applying such KYC procedures to the existing loan accounts if any unusual pattern is noticed, the same should be brought to the notice the Head of the concerned department and the Principal Officer appointed by the Company as per RBI directives.

In case any existing customer does not co-operate in providing the information required as per KYC policy or conducts himself in such manner which gives rise to suspicion about his identify or credentials, such matters will be brought to the notice of Principal Officer who in turn will make necessary inquiries and if required shall forward the name of such customers to the concerned authorities for appropriate action. Besides above, in such situation the Company, for reasons to be recorded, may recall the loan granted to such customers and take recourse to legal remedy against the customers as well as security furnished by such customer.

MAINTENANCE AND PRESERVATION OF RECORDS

As per the provisions of PMLA, the Company shall 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 [referred to in Para C. supra] are required to be maintained for a period of ten years from the date of transactions between the clients and the Company.
- (b) records of the identity of all clients of the Company are required to be maintained for a period of ten years from the date of cessation of transactions between the clients and the Company.

The Company will ensure that appropriate steps are taken 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.

e. 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 RBI at the following address:

Director, FIU-IND,

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

Where the Principal Officer 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 PMLA rules, such officer shall furnish information in respect of such transactions to the Director, FIU-IND, within the prescribed time.

A copy of all information furnished shall be retained by the Principal Officer for the purposes of official record.

I. GENERAL

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

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.

CKYCR

“Central KYC Records Registry” (CKYCR) means an entity defined under Rule 2(1) of the Rules, to receive, store, safeguard and retrieve the KYC records in digital form of a customer.

“KYC Templates” means templates prepared to facilitate collating and reporting the KYC data to the CKYCR, for individuals and legal entities.

A declaration shall be obtained from the customer to the effect that no other account has been opened nor will be opened using OTP based KYC in nonface-to-face mode with any other RE. Further, while uploading KYC information to CKYCR, IHLL shall clearly indicate that such accounts are opened using OTP based e-KYC and other REs shall not open accounts based on the KYC information of accounts opened with OTP based e-KYC procedure in non-face-to-face mode.

CDD Procedure and sharing KYC information with Central KYC Records Registry (CKYCR)

(a) Government of India has authorised the Central Registry of Securitisation Asset Reconstruction and Security Interest of India (CERSAI), to act as, and to perform the functions of the CKYCR vide Gazette Notification No. S.O. 3183(E) dated November 26, 2015.

(b) In terms of provision of Rule 9(1A) of PML Rules, the IHLL shall capture customer’s KYC records and upload onto CKYCR within 10 days of commencement of an account-based relationship with the customer.

(c) Operational Guidelines for uploading the KYC data have been released by CERSAI.

(d) IHLL shall capture the KYC information for sharing with the CKYCR in the manner mentioned in the Rules, as per the KYC templates prepared for 'Individuals' and 'Legal Entities' (LEs), as the case may be. The templates may be revised from time to time, as may be required and released by CERSAI.

(f) IHLL shall upload KYC records pertaining to accounts of LEs opened on or after April 1, 2021, with CKYCR in terms of the provisions of the Rules *ibid*. The KYC records have to be uploaded as per the LE Template released by CERSAI.

(g) Once KYC Identifier is generated by CKYCR, IHLL shall ensure that the same is communicated to the individual/LE as the case may be.

(h) In order to ensure that all KYC records are incrementally uploaded on to CKYCR, IHLL shall upload/update the KYC data pertaining to accounts of individual customers and LEs opened prior to the above mentioned dates as per (e) and (f) respectively at the time of periodic updation as specified in Section 38 of KYC Master Direction, or earlier, when the updated KYC information is obtained/received from the customer

(i) IHLL shall ensure that during periodic updation, the customers are migrated to the current CDD standard.

(j) Where a customer, for the purposes of establishing an account based relationship, submits a KYC Identifier to IHLL, with an explicit consent to download records from CKYCR, then IHLL shall retrieve the KYC records online from the CKYCR using the KYC Identifier and the customer shall not be required to submit the same KYC records or information or any other additional identification documents or details, unless – (i) there is a change in the information of the customer as existing in the records of CKYCR; (ii) the current address of the customer is required to be verified; (iii) the company considers it necessary in order to verify the identity or address of the customer, or to perform enhanced due diligence or to build an appropriate risk profile of the client.

“Annexure 1”

CUSTOMER IDENTIFICATION PROCEDURE

FEATURES TO BE VERIFIED AND DOCUMENTS THAT MAY BE OBTAINED FROM CUSTOMERS

Features	Documents
Individuals	
Legal name and any other names used	(i) Passport (ii) AADHAAR (ii) PAN card (iii) Voter's Identity Card (iv) Driving license (v) Identity card (subject to the HFC's satisfaction) (vi) Letter from a recognized public authority or public servant verifying the identity and residence of the customer to the satisfaction of HFC
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 HFC)(any one document which provides customer information to the satisfaction of the HFC will suffice)
Companies	
- Name of the company	(i) Certificate of incorporation and Memorandum & Articles of Association
- Principal place of business	(ii) Resolution of the Board of Directors to open an account and identification of those who have authority to operate the account
- Mailing address of the company	(iii) Power of Attorney granted to its managers, officers or employees to transact business on its behalf
- Telephone/Fax Number	(iv) Copy of PAN allotment letter (v) Copy of the telephone bill
Partnership Firms	
- Legal name	(i) Registration certificate, if registered
- Address	(ii) Partnership deed
- Names of all partners and their addresses-	(iii) Power of Attorney granted to a partner or an employee of the firm to transact business on its

Telephone numbers of the firm and partners	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
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Trusts & Foundations

- Names of trustees, settlers, beneficiaries and signatories	(i) Certificate of registration, if registered
- Names and addresses of the founder, the managers/directors and the beneficiaries - Telephone/fax numbers	(ii) 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

Unincorporated association or a body of individuals

(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 the Company to collectively establish the legal existence of such as association or body of individuals.

Annexure-II

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 Company, 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
-