

Anti Money Laundering Standards

Preface

Money Laundering is a process by which money or other assets obtained as proceeds of crime are exchanged for “clean money” or other assets with no obvious link to their criminal origins.

The offence of Money Laundering has been defined in Section 3 of the Prevention of Money Laundering Act, 2002 (PMLA) as “whosoever directly or indirectly attempts to indulge or knowingly assists or knowingly is a party or is actually involved in any process or activity connected with the proceeds of crime and projecting it as untainted property shall be guilty of offence of money-laundering.”

We consider it our moral, social and economic responsibility to prevent misuse of the financial system for laundering proceeds of criminal activities and to coordinate the global war against money laundering. Our role in curbing this global reality begins with stringent Know Your Customer procedures.

Recognising the true spirit behind the initiatives of RBI and other Controls, we have resolved to conduct day - to - day business with due skill, care and diligence and seek to comply with both the letter and spirit of relevant laws, rules, regulation, codes and standards of good practices.

The purpose of this paper is to seek Board’s approval on updated standards, based on RBI guidelines and developments in the financial market.

ANTI-MONEY LAUNDERING / COMBATING FINANCIAL TERRORISM MEASURES

1. Customer Identification Procedure – “Know Your Customer” norms.
2. Recognition, handling and disclosure of suspicious transactions
3. Appointment of Principal Officer (PO)
4. Staff Training
5. Maintenance of Records
6. Audit of Transactions

1. “Know Your Customer” norms

As part of AML initiative, we will strictly enforce and follow the provisions of extent KYC policy guidelines approved by the board, encompassing:

Customer Acceptance Policy

Customer Identification Procedures

Monitoring transactions

Risk Management

2. Recognition & Reporting of Suspicious Transactions.

A transaction may be of suspicious nature irrespective of the amount involved. An indicative list of suspicious activities is given below:-

- Customer is reluctant to provide details/documents on frivolous grounds
- The transaction is undertaken by one or more intermediaries to protect the identity of the beneficiary or hide their involvement
- Large cash transactions
- Size and frequency of transactions is high considering the normal business of the customer
- Change in the pattern of business transacted.

The above list is only indicative and not exhaustive.

When the staff comes across a suspicious transaction, they should

1. Ask questions about the source of funds and other details
2. Check the Identification documents carefully
3. Report immediately to the PO

Principal Officer (PO)

The PO's primary responsibility is to oversee and ensure overall compliance with regulatory guidelines on KYC, AML/CFT issued by RBI from time to time. The PO will also be responsible for reporting of suspicious transaction/s to the Financial Intelligence Unit (FIU). Any suspicious transaction/s, if undertaken, should have prior approval of PO. The PO shall have reasonable access to all the necessary information/documents, which would help him in effective discharge of his responsibilities.

The responsibility of the PO may include:

- * Putting in place necessary controls for detection of suspicious transactions.
- o Receiving disclosures related to suspicious transactions from the staff or otherwise.
- o Deciding whether a transaction should be reported to the appropriate authorities
- o Training of staff and preparing detailed guidelines / handbook for detection of suspicious transactions.
- o Preparing annual reports on the adequacy or otherwise of systems and procedures in place to prevent money laundering and submit it to the Top Management within 3 months from the end of the financial year.

Chief Audit Manager is nominated as the PO for MMFL.

3. Staff Training

All the managers and staff must be trained on an ongoing basis, to be aware of the policies and procedures relating to prevention of money laundering, provisions of the PMLA and the need to monitor all transactions to ensure that no suspicious activity is being undertaken under the guise of money changing.

The steps to be taken when the staff come across any suspicious transactions (such as asking questions about the source of funds, Checking the Identification documents carefully, reporting immediately to the PO, etc.) should be carefully formulated and be part of any staff training programme on the subject.

Periodic training of staff at all levels across group companies is being made a part of the training curriculum.

4. Xpress Money transactions

The AML Guidelines are applicable to us as franchisees of AMCs and it is our responsibility to adhere to the AML Guidelines and the Know Your Customer norms shall be strictly followed in these transactions.

All transactions are to be undertaken only after proper identification of the customer. Photocopies of Proof of Identification should invariably be retained by the Branch after verifying the relevant document in original.

Full details of name and address as well as the details of the identity document provided should also be kept on record. If a transaction is being undertaken on behalf of another person, identification evidence of all the persons concerned should be obtained and kept on record. Branches shall be guided by extant guidelines issued on KYC norms.

Maximum amount allowed under a single transfer is rupee equivalent to USD 2500/-.

Only person to person remittances are permissible under money transfer scheme.

The purpose of remittance has to be for domestic use / family maintenance.

Remittances for other purposes like trade or commercial, charitable trust, donation etc. are not allowed.

The maximum amount a beneficiary can collect in cash in a day is Rs. 50,000/-. More than one transaction shall not be paid to a single beneficiary in cash on a day.

Any payment above Rs. 50,000/- shall be effected by A/C payee cheque/ draft or pay order for the entire amount of remittance, less applicable charges, if any.

5. MAINTENANCE OF RECORDS

The following documents are to be preserved for a minimum period of ten years.

- o Records including identification obtained in respect of all transactions.
- o Statements/Registers prescribed by the Reserve Bank from time to time
- o All Inspection/Audit/Concurrent Audit Reports
- o Annual Reports of the PO submitted to the Top Management on the adequacy or otherwise of systems and procedures in place to prevent money laundering.
- o Details of all suspicious transactions reported in writing or otherwise to the PO.
- o All correspondence / reports with the appropriate authority in connection with suspicious transactions.
- o References from Law Enforcement Authorities, including FIU, should be preserved until the cases are adjudicated and closed.

6. AUDIT OF TRANSACTIONS

The Auditor should check all transactions to verify that they have been done in compliance with the anti-money laundering guidelines and have been reported as required. Compliance on the lapses, if any, recorded by the concurrent auditor should be put up to the Board.

A Certificate from the Statutory Auditor on the compliance with AML guidelines should be obtained at the time of preparation of the Annual Report and kept on record.

Reporting of Suspicious Transactions

Suspicious transaction means a transaction that gives rise to a reasonable ground of suspicion that it may involve the proceeds of crime; or appears to be made in circumstances of unusual or unjustified complexity; or has no economic rationale or bona fide purpose;

It is the duty of all staff to report suspicious and unusual transactions to the PO through Branch Manager under copy to the respective Regional Manager.

Failure to report suspicious and unusual transaction to the Reporting Officer, as prescribed, shall attract legal and disciplinary action.

PO shall investigate and forward the "STR" (Suspicious Transaction Report) to relevant authorities in writing or by fax or electronic mail within the stipulated period, through the Executive Director. A copy of the same shall be retained by the Reporting Officer for the purpose of official records.

Monitoring and Control

BMs shall be responsible for the execution and implementation of the Regulations issued by the Reserve Bank of India and our Anti Money Laundering policies & Procedures at the branch levels. They shall also be responsible for reporting any suspicious transactions directly to the PO.

2.3 The internal auditor shall mention, in the audit report, on the efficacy of the implementation of the policy, procedures and control.

Record Keeping

The objective of record keeping is to ensure that we are able to provide the basic information about customer and to reconstruct the individual transactions undertaken at the request of the relevant authorities at any given time.

The record must contain the following information: (a) nature of Transaction, (b) amount of the transaction and the currency in which it was denominated (c) date on which the transaction was conducted and (d) parties to the transaction.

Transaction records should be kept for a minimum period of ten years and made available to the relevant authorities as and when demanded.

The documents may be retained in original or stored on microfilm or in the computer at the respective branches.

New Staff Recruitment Procedure

The H R Department will check the antecedences of all new employees by checking their references. They will also perform background checks on employees.

AML Compliance Undertaking will be taken from each and every employee.

Training

Training for all employees shall be conducted periodically. During all trainings, the employees shall be communicated of their responsibility as per the law in force regarding obtaining sufficient evidence of identity, recognizing and reporting knowledge or suspicion of money laundering and terrorists financing. The employee shall always be trained on the potential effect on us, on its employees and customers if there is any breach of law or regulations.

The CO HR Department is also required to maintain records showing the dates when Anti-Money Laundering training has been given, the nature of the training and the names of the staff who have received the training.

Privacy Policy

MMFL shall be committed to respect and protect the privacy of its customers. The personal information about our customers provided on applications forms are for facilitating customers' transactions. Any such information collected from the customer shall be kept confidential. It shall be passed on to a statutory body only in accordance with the existing laws.