

## AML CFT Policy

### A LuLu Forex Policy document

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POL-IN COMP001

Created  
28-12-2015

Updated  
04-06-2018

Controller  
Principal Officer

Owner  
CCO

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Classification

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## Revision History

Date	Version	Author	Comments (including Review History)
20/04/2014	Draft	Girijavalabhan	Initial document for discussion and review .
09-01-2017	V1.0	Girijavalabhan	Made changes according to the country of operations.
04-06-2018	V2.0	Surekha Manikandan	Updated in BPMS format

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# AML CFT Policy

## 1 Summary

<b>Purpose</b>	The purpose of this policy is to abide by the rules laid down by the Reserve Bank of India & AML Law and to assist the authorities in combating Money Laundering and Financing of Terrorism.
<b>Scope</b>	These procedures apply to all types of transactions, i.e. remittances, foreign currency transactions including Foreign Currency Exchange, Traveller's Cheques, Demand Draft, Fund Transfers, Inward remittances, Instant Money Transfers, or other products introduced from time to time. Furthermore, the policy also applies to all our branches and subsidiaries operating in India.
<b>Functional Responsibility</b>	The functional responsibility for this policy lies with the Principal Officer

## 2 Related documents

<b>Policies</b>	Quality Policy
<b>Processes</b>	Finance Process
<b>Procedures</b>	Business Expenses and Petty Cash Customer Transaction
<b>Work Instructions</b>	N/A
<b>Forms</b>	NA
<b>Other</b>	N/A

## 3 Definitions

Term or Acronym	Description
<b>BENEFICIAL OWNERSHIP</b>	Identify the beneficial owners of companies and businesses carrying out transactions and obtain satisfactory evidence of their identities. In order to carry out the obligations set out as above "ownership" and "control structure" of legal entities should be clearly understood. In the event of any person claiming to be acting on behalf of another, such a person must have proper legal authority to do so. Branch Compliance Officer should obtain a valid Power of Attorney specifically authorising the representative to do the transaction
<b>FATF</b>	<b>Financial Action Task Force</b> Is an Inter-Governmental body whose purpose is the development and promotion of policies, both at the national and international levels to combat Money Laundering. The FATF currently consists of 34 countries and two regional organizations. (The two regional organizations are: the European

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Commission and the Gulf Co-operation Council). Forty Recommendations of FATF have been established as the international standard for effective Anti-Money Laundering measures. FATF regularly reviews its members to check their compliance with these 40 recommendations (relating to Money Laundering & Terrorist Financing) and also to suggest areas for improvement. FATF also identifies emerging trends and methods used to Launder Money and suggest measures to combat them

<b>OFAC</b>	<b>Office of Foreign Assets Control</b> It is an agency of the United States Department of the Treasury under the auspices of the Under Secretary of the Treasury for Anti-Terrorism and Financial Intelligence. OFAC administers and enforces economic and trade sanctions based on U.S foreign policy and national security goals against targeted foreign states, organizations, and individuals. The Specially Designated National List is a publication of OFAC which lists individuals and organizations with whom United States citizens and permanent residents are prohibited from doing business.
<b>PEPs</b>	<b>POLITICALLY EXPOSED PERSONS</b> “Politically Exposed Persons” mean individual who are, or have been, entrusted with prominent public functions in Bahrain or foreign country, such as Heads of State or government, senior politicians, senior management, judicial or military officials, senior executives of state owned corporations or important political party officials. Business relationships with family members or close associates of PEPs involve reputational risks similar to PEPs themselves. The definition is not intended to cover middle ranking or more junior officials in the foregoing categories. Bahraini PEPs would include all ministers, all MPs and all MPs, and all Ministry Officials with the rank of Undersecretary or above
<b>SHELL BANKS</b>	A bank that is incorporated in a jurisdiction in which it has no physical presence and which is unaffiliated with a regulated a financial group
<b>STR</b>	<b>SUSPICIOUS TRANSACTION REPORT</b> A suspicious Transaction Report (STR) is a report regarding suspicious or potentially suspicious financial activity, filed with the Central Bank of Bahrain Compliance Directorate and the Financial Intelligence Unit of the Ministry of Interior.
<b>TIPPING OFF</b>	Improper or illegal act of notifying a suspect that he or she is the subject of a Suspicious Transaction Report or is otherwise being investigated or pursued by the countries

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## 4 Introduction

The company was granted FFMC licence by the Reserve Bank of India on 10th May 2011 and was upgraded as an Authorised Dealer Category - II (AD Category-II) on 23rd December 2015.

Reserve Bank of India had for the first time issued guidelines on Know Your Customer (KYC) norms and Anti-Money Laundering (AML) measures for money changing business on 2nd December 2015, vide AP (DIR. Series) Circular No.18. Subsequently, based on the feedback received from various quarters, RBI had made certain relaxations by way of amendments vide AP (DIR. Series) Circular Nos.39, 14 and 4 dated 26th June, 2006, 17th October, 2007 and 3rd March, 2009 respectively. AP (DIR. Series) Circular No.15 dated 19th November 2009 was issued subsequent to amendments to PMLA vide Prevention of Money Laundering (Amendment) Act, 2009. The said amendment which came into effect from 1.6.2009 had brought all Authorized Persons within the definition of "Financial Institutions" whereby all entities providing money changing and money transfer business are now within the ambit of the provisions of PMLA, 2002. Accordingly, RBI published detailed guidelines on KYC/AML/CFT vide its AP (DIR. Series) Circulars 17 and 18 both dated 27.11.2009 for money changing/money transfer business.

The said Circulars mandated all Authorized Persons to:

- have a revised Policy framework on KYC/AML/CFT
- prepare Customer Acceptance Policy/Customer Identification Procedure
- appoint a Principal Officer
- Place before the Management on lapses, if any, reported by the Concurrent Auditors.

The Foreign Exchange Department of RBI on March 25, 2015, vide AP (DIR. Series) Circular Nos. 87, discontinued the practices of issuing instructions on AML/CFT measures separately for Authorized Persons; instead, they were advised to follow guidelines issued by Department of Banking Regulations from time to time to the extent applicable to them. The Master Direction issued by the latter department on 25th Feb 2016, vide DRR AML. BC. No. 81/14.01.001/2015/16, titled 'Master Direction - Know Your Customer (KYC) direction, 2016', as amended from time to time, remains the prime reference on the subject from RBI as on date.

The company's KYC/AML/CFT policy has been reframed in view of these developments and published for information.

## 5 Money Laundering

Money Laundering is the process whereby criminals attempt to hide and disguise proceeds of crime. Section 3 of the Prevention of Money Laundering Act, 2002 defines the offence of money laundering as under:

"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 including its concealment, possession, acquisition or use and projecting it as untainted property shall be guilty of offence of money laundering."

Different stages involved in money laundering are

- Placement
- Layering and
- Integration

### Placement:

The first stage is successfully disposing of the physical cash received through illegal activity. Money laundering is a "cash-intensive" business, generating vast amounts of cash from illegal activities. The monies are placed into the financial system or retail economy or are smuggled out of the country. The

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aims of the launderer are to remove the cash from the location of acquisition so as to avoid detection by the authorities and to then transform it into other asset forms.

## Layering:

In the course of layering, there is an attempt at concealment or to disguise the source of ownership of the funds by creating complex layers of financial transactions. The purpose of layering is to disassociate the illegal monies from the source of the crime by purposely creating a complex web of financial transactions aimed at obfuscating any audit trail as well as concealing the source of funds.

## Integration:

The final link in money laundering process is called the integration stage. It is during this stage the money is integrated into the economic and financial system and is assimilated with all other assets in the system. Integration of the "cleaned" money into the economy is accomplished by the launderer making it appear to have been legally earned. By this process, it is extremely difficult to distinguish legal and illegal wealth. Money launders may resort to numerous transactions till the stage of final integration, that can alert a financial institution to the criminal activity.

KYC/AML/CFT policy of the Company aims to detect and prevent attempts at money laundering by criminal elements while undertaking money changing business with it. The policy also enables the company to understand the customer and their financial dealing better and thus to manage its risks more prudently

## 5.1 Definition of customer

For the purpose of KYC policy, a 'Customer' is defined as:

- A person who undertakes occasional/regular transactions.
- An entity that has a business relationship with the Authorized person (AP)
- One on whose behalf the transaction is made (i.e. the beneficial owner)

'Beneficial owner' has been defined in section 2(1) (fa) of PMLA 2002 (as amended) as an individual who ultimately owns or controls a client and/or the person on whose behalf the transaction is being conducted, and includes a person who exercises ultimate effective control over a juridical person

## 5.2 Guidelines-General

The Company will ensure that information sought for from the customers is not intrusive but relevant to the perceived risk and strictly in conformity with the legal and regulatory requirements. Unwanted/irrelevant information will be avoided. Additional information, if any, will be obtained from the customer, wherever necessary; but with his/her consent. Confidentiality of the information collected would be maintained at all times

## 6 KYC Policy of the company

KYC policy has been framed incorporating the following 4 key elements:

- Customer Acceptance Policy
- Customer Identification Programme/Procedures
- Monitoring of Transactions
- Risk Management

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## 6.1 Customer Acceptance Policy (CAP) of the Company

The Company attaches much importance to Customer Service, for the Company is basically in Customer Service oriented industry. Its aim will always be to provide world class service to its customers. The Company is aware of the fact that any shortfall in providing customer service would affect its brand, image, reputation and standing in the market. Our policy will not be too restrictive leading to denial of money changing services to the general public and the resultant harassment. Major thrust will be on obtaining willful compliance from customers. All the customers who comply with the Company requirements, submit the required documents and also make themselves/records available for due diligence will be acceptable to the Company. The Customer Acceptance Policy has been framed in such a way that it is non-discriminative and in keeping with the spirit behind the guidelines of RBI. Our policy will always be customer friendly and we will not look at each and every customer with suspicion; but will be alert to detect suspicious transactions. We will not be bound to undertake transactions if we are unable to undertake customer due diligence or obtain documents required as per the risk categorization, due to the non-co-operation of the customer or non-reliability of the data/information furnished by him/her.

Enhanced due diligence will be applied while dealing with the Politically Exposed Persons and all such cases will be decided at Head Office, the detailed procedure for which is indicated in a separate paragraph below.

The Company's Customer Acceptance Policy will be based on:

(a) The Company shall not conduct transactions in anonymous or fictitious/benami names. All transactions will be put through only against

- Personal application
- Personal identification of each customer by verifying valid identification documents and also address proof/other necessary supporting documents.

(b) Our customers are of 3 types viz

- Long-term customers - those who have been dealing with us on a regular basis and with whom we have built up relationship over a period of time.
- Introduced customers - those who have been introduced to us by persons/ entities known to us such as our existing customers, Sub-Agents, Franchisees, Referral/Commission Agents, Travel Agents etc.
- Walk in customers - The walk-in customers are further sub- categorized as (i) those from countries which are FATF Regulations compliant and (ii) those from countries which are yet to comply with the requirements of FATF.

Based on the above, the risk categorization of our customers is as under:

Type	Type of the Customer	Risk
(i)	Regular customers who have been dealing with us for long time	Low
(ii)	Those introduced by our existing customers, Sub-Agents, Commission/Referral Agents, Travel Agents	Medium
(iii)	a) General Walk-in customers from countries which are yet to comply with FATF requirements, Politically Exposed Persons.	High
	b) Other Walk-in Customers	Low

The above parameters are only indicative. The risk perception will vary from customer to customer and will among other things depend upon

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- Nature of the business activity
- Location
- Frequency of transaction
- Volume of transaction
- Mode of payments
- Social/financial standing etc.

Each transaction will be analyzed on a case to case basis keeping in mind the various factors as above. The risk perception will be reviewed from time to time based on which the customers may move from one category to another and the same will be updated in our system/records.

The dealings with the Politically Exposed Persons and nationals of countries which are yet to comply with the FATF requirements with regards to money laundering measures etc. will be handled at a very high level at Head Office as they fall under High Risk category, irrespective of the amount of transaction.

## RISK CLASSIFICATION CRITERIA FOR INDIVIDUAL CUSTOMERS OF FOREX BUSINESS

Category of the Customer	Names of the Countries/states	Risk Level
Nationals or residents of countries designated as high -risk by FATF	Iran, Bosnia & Herzegovina, Ethiopia, Iraq, Syria, Uganda, Vanuatu, Yemen Democratic People's Republic of Korea (DPRK i.e North Korea)	HIGH
Nationals or residents of countries designated internally as high risk by the Company, (vide (Noncompliant and high-risk countries)	As indicated in the current list of Noncompliant and high-risk countries available in our Document Management System	HIGH
Residents of the State(s) of India designated internally as high risk by the Company. High Net Worth Individuals (HNI) and Politically Exposed Person (PEP)	Jammu and Kashmir	HIGH
Nationals or residents of countries designated internally as Medium risk by the Company	UAE, Saudi Arabia, Sudan	MEDIUM
Nationals or Residents of any other Country or state of India	All other Countries and States	LOW

## OTHER THAN INDIVIDUAL

Sr. No.	Entity	Risk Level
1	Any entity importing from or exporting to FATF designated countries like Iran, Democratic People's Republic of Korea (DPRK i.e North Korea); and High-Risk Countries like Pakistan, Afghanistan & Nigeria.	HIGH
2	Trust, Charities, NGOs / NPOs (other than UN Promoted), Organizations receiving donations, Religious Establishments.	HIGH
3	Business Establishments Located in sensitive Areas in major cities of Mumbai, Delhi, Kolkata, Chennai, Bangalore, Ahmedabad and Hyderabad.	HIGH
4	Business Establishments located in the state of Jammu and Kashmir.	HIGH
5	Firms, Companies, Organizations having Nationals or Residents of FATF designated countries like Iran, Democratic People's Republic of Korea (DPRK	HIGH

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	i.e North Korea), High Risk Countries like Pakistan, Afghanistan and Nigeria as directors on their Boards or as their Partners or Proprietors or having branches / subsidiaries in these FATF designated countries and High-Risk Countries.	
6	Small and Medium Enterprises.	MEDIUM
7	Co-operative Banks.	MEDIUM
8	Firms, Companies, Organizations having branches / subsidiaries in UAE, Saudi Arabia, Sudan or a Branch / Subsidiary in India of a Company in UAE, Saudi Arabia or Sudan.	MEDIUM
9	NPO's/NGO's promoted by United Nations.	LOW
10	Semi Government Companies.	LOW
11	Public Sector Undertakings.	LOW
12	Public Companies listed on a recognized stock exchange.	LOW
13	Banks under AD I Category	LOW
14	AD II Category	LOW
15	FFMC/ Franchisee	LOW

## 6.1.1 Documents

Documents to be obtained, verified and retained will be those prescribed by RBI for various types of transactions and also keeping in mind the requirements of PMLA. Additional documents will be obtained for enhanced customer due diligence. A copy each of the documents, duly signed, by the customer (self-certified) will be kept on record and preserved for the period of preservation indicated in the PMLA. While permitting a customer to act on behalf of another person/entity, a copy of the ID/Address proof of the beneficial owner would be obtained and also the ID/address proof of the person acting on behalf of the beneficial owner i.e. the third party. Further, a third-party confirmation letter would be insisted upon.

## 6.1.2 Customer Profile

As per the instructions of RBI, profile of each customer where a business relationship is established will be prepared. Our customers being walk in clients, we have transaction-based accounts unlike account-based transactions as in the case of banks. It will, therefore, be difficult to follow the bank practice to prepare profile of those customers who do business with us once in a while. Yet, the customer profile containing the ID, address, nature of business activity, locations etc. will be prepared. The nature and extent of due diligence will, among other things, depend upon the risk perceived by us and accordingly the customers will also be categorized. Updation of the profiles of customers will be an ongoing and continuous process.

We will seek only the information which is relevant and keep such information in strict confidence. We will develop appropriate software to throw alerts when the transactions are inconsistent with the risk categorization and updated profile of the customers so that identification and reporting of suspicious transactions becomes easy.

## 6.1.3 Risk Categorization

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Based on their profile, the customers will be categorized as

- Low Risk
- Medium Risk
- High Risk

## Low Risk Customers

The customers who have been dealing with us regularly and with whom we have built up relationship over a period of time and individuals (other than High Net Worth) and entities whose identities and sources of wealth can be easily identified and transactions by whom by and large conform to the known profile. Non-Profit Organizations (NPOs) / Non-Government Organizations (NGOs) promoted by Unites Nations or its agencies.

## Medium Risk Customers

Depending upon the back ground, nature and location of activity, country of origin, sources of funds etc. the customers will be categorized as Medium Risk. Most of these customers will be those who have approached us through persons known to us such as our existing customers, Sub-Agents, Franchisees, Referral/Commission Agents. Travel Agents etc., but not dealing with us regularly.

## High Risk Customers

NRIs, HNIs, Trusts, Charitable Organizations, NGOs and Organizations receiving donations, customers from countries that do not or insufficiently apply the FATF standard, High Net Worth Individuals, sleeping Partners, companies having close family shareholding or beneficial ownership, politically exposed persons, non-face to face customers, those with dubious reputation as per public information available etc. will be categorized as High-Risk customers. Such customers will be subject to additional due diligence.

Politically Exposed Person, with reference to section 3 (b) (xii) of KYC Direction, 2016, are individuals associated with prominent public function in a foreign country now or in the past.

## Enhanced Customer Due Diligence

Following format has to be filled in with the information mentioned therein in case of individual customers of forex business for whom Enhanced Customer Due Diligence (EDD) is required. This format has to be prepared for each transaction falling under EDD parameters.

FORMAT FOR ENHANCED CUSTOMER DUE DILIGENCE (EDD) OF INDIVIDUAL CUSTOMERS OF FOREX BUSINESS		
Sr. No.	Type of Information	Description
1.	Name &Address of the Individual Customer	
2.	Specific purpose of transaction.	
3.	Sources of funds used for doing the transaction.	
4.	Purpose of visit of the Individual customer in case of NRIs and Foreign Nationals.	

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5.	Length of residence in foreign country with specific occupation.	
Signature of the Branch Official: Name of the Branch Official:		Signature of the Branch Manager: Name of the Branch Manager:

In case of customers of Forex business other than Individuals who fall in the High-Risk Category, following additional information is to be obtained under enhanced Customer Due Diligence (EDD). This has to be prepared for each transaction falling under EDD parameters:

FORMAT FOR ENHANCED CUSTOMER DUE DILIGENCE (EDD) OF CUSTOMERS OF FOREX BUSINESS OTHER THAN INDIVIDUALS		
Sr. No.	Type of Information	Description
1.	Name & Address of the Customer	
2.	Specific purpose of transaction	
3.	Sources of funds	
4.	Nature of business in India	
5.	Number of branches in India	
6.	Details of nonresident shareholding, if any	
7.	Details of overseas subsidiaries / branches, if any	
Signature of the Branch Official: Name of the Branch Official:		Signature of the Branch Manager: Name of the Branch Manager:

Note: -

- The risk categorization will be reviewed on an ongoing basis and it is not necessary that the customers remain in the same risk category. Based on such reviews the customers may move from one category to another which will get updated in our system/records.
- The formats, as and when revised, will be circulated among branches and uploaded in Company's Document Management System.

## 6.2 Customer Identification Procedure (CIP)

In general terms Customer Identification seeks to:

- know who you are actually dealing with;
- know the beneficiaries of the transactions;
- know the purposes and nature of the transactions; and
- know the sources of the funds involved.

It means identifying the customer and verifying the identity by using reliable, independent source documents, data or information.

### • Individuals

Transactions will be put through against personal identification of the customer for which purpose the customer has to personally approach us for our services. In exceptional cases, we will approach the customer either at his home or office subject to mutual convenience. The customer will be required to fill in a prescribed application form, sign the same in the presence of the authorized officials of our Company and the application

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should be accompanied by duly signed photo copies of supporting documents such as ID, address proof etc. The original documents will be returned after verification. The customer identification procedure will also involve due diligence of the customer by way of enquiring about his activities, nature of business/profession, status in the society, frequency of travel, sources of funds etc. All details of the customer will be fed into our Computer system and hard copies of the documents duly preserved.

- **Close Relatives**

In the case of close relatives i.e. wife, son, daughter, father etc. it may not be possible to obtain address proof of the person if he/she is staying with his/her close relative. In all such cases, the address of such close relative along with his/her photo ID/address proof and a declaration to the effect that the customer (person availing our services) is their close relative and is staying with them will be obtained. This will also be supplemented/ followed up by way of verification over the phone.

- **Married Females**

Sometimes married females have OVDs in their maiden names. A copy of the marriage certificate or a Gazette Notification indicating change in name may then be obtained in addition to such OVDs for proof of address and identity.

- **Legal Entities**

In the case of legal persons i.e. entities such as Companies/Firms etc. the customer Identification Programme will involve obtaining copies of documents in support of their existence such as

- Certificate of Registration/Incorporation Certificate
- Memorandum and articles of Association/Partnership Deed
- PAN Card
- Ownership/Shareholding patterns of the Firm/Company
- Nature of business activities

List of persons authorized to act on behalf of the legal persons along with their photo IDs, address proof, Specimen signatures, Board Resolution, if any, granting authority etc

## 6.2.1 Customer Identification Procedure

The nature of information/documents would be decided depending on the type of customer (individual, corporate etc.). For customers that are natural persons, we should obtain sufficient identification document/s to verify the identity of the customer and his address/location. For customers that are legal persons or entities, we should (i) verify their legal status through proper and relevant documents; (ii) verify that any person purporting to act on behalf of the legal person/entity is so authorized and identify and verify the identity of that person.

## 6.2.2 Features to be verified and documents that may be obtained from customers

Features	Documents
Individuals - Name/Identity	(i) Passport (ii) PAN card (iii) Voter's Identity Card (iv) Driving licence (v) Aadhaar Card (vi) Identity card (subject to our satisfaction) (vii) Letter from a recognized public authority or public servant verifying the identity and residence of the customer subject to our satisfaction.

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<p>- Address</p>	<p>(i) Utility bill not more than 2 months old (Electricity, Telephone, Post Paid mobile phone, Piped gas, Water bill)</p> <p>(ii) Property or Municipal tax receipt</p> <p>(iii) Bank account or Post office SB account statement</p> <p>(iv) Pension or family Pension orders of Government departments or undertaking</p> <p>Note: - (1) If the address on the document submitted for identity proof by the prospective customer is same as that declared by him/her, the document may be accepted as a valid proof of both identity and address. If the address indicated on the document submitted for identity proof differs from the current address declared by the customer, a separate proof of address should be obtained.</p> <p>(2) In case of foreign tourists, copies of passport containing identification particulars and address, may be accepted as documentary proof for both identification as well as address. Further, a copy of the visa of non-residents, duly stamped by Indian Immigration authorities may also be obtained and kept on record. However, where neither passports contain any address nor foreign tourists are able to produce any address proof, APs may obtain and keep on record, a copy of passport and visa duly stamped by the Indian Immigration authorities and a declaration duly signed from foreign tourists regarding the permanent address</p>
<p>Companies</p> <p>- Name of the company</p> <p>- Principal place of business</p> <p>- Mailing address of the company</p> <p>- Telephone/Fax Number</p>	<p>One certified copy each of the following documents.</p> <p>(i) Certificate of incorporation</p> <p>(ii) Memorandum &amp; Articles of Association</p> <p>(iii) List of officials with names, designation and signature authorized by the Managing Director / Chief Financial Officer of the company to conduct forex transaction on behalf of the company</p> <p>(v) PAN Card</p> <p>(vi) Telephone Bill</p>
<p>Partnership firms</p> <p>- Legal name</p> <p>- Address</p> <p>- Names of all partners and their addresses</p> <p>- Telephone numbers of the firm and partners</p>	<p>One certified copy each of the following.</p> <p>(i) Registration certificate, if registered</p> <p>(ii) Partnership deed</p> <p>(iii) List of officials with names, designation and signature authorized by the Managing Partner / Chief Financial Officer of the firm to conduct forex transaction on behalf of the firm</p> <p>(iv) Any officially valid document identifying the partners, their addresses and their signatures.</p> <p>(v) Telephone bill in the name of firm/ partners.</p>

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<p>Trusts &amp; Foundations</p> <ul style="list-style-type: none"> <li>- Names of trustees, settlers, beneficiaries and signatories</li> <li>- Names and addresses of the founder, the managers/directors and the beneficiaries</li> <li>- Telephone/fax numbers</li> </ul>	<p>One certified copy of each of the following.</p> <ul style="list-style-type: none"> <li>(i) Registration certificate, if registered</li> <li>(ii) Power of Attorney granted to transact business on its behalf</li> <li>(iii) Any officially valid document to identify the trustees, settlers, beneficiaries and those holding Power of Attorney, founders/ managers/ directors and their addresses</li> <li>(iv) Resolution of the managing body of the foundation/ association</li> <li>(v) Telephone bill</li> </ul>
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## 6.2.3 Purchase of foreign exchange from Customers (Encashments)

### -> Verification of ID Document

For every purchase, the identification document of customers should be verified. For purchase of foreign currency notes and travelers' cheques from customer for any amount less than Rs.50000/- or its equivalent, photocopies of the identification document need not be obtained. However, full details of the identification documents should be maintained.

If it is found that a customer is intentionally structuring a transaction into a series of transactions below the threshold of Rs.50000/- it is our duty to verify identity and address of the customer and also to consider filing a STR to FIU-IND.

For other purchases, copies of ID proof and address proof should be maintained.

### ->Payment of Encashment value.

- RBI has placed limits for payment of encashment value in CASH depending upon the residential status of the customer and the same will be strictly followed. Currently the limits are \$ 1000 for residents and \$ 3000 for non-residents or their equivalents.
- All purchases within one month, i.e. within 30 days from the date of last transaction, may be treated as single transaction for the above purpose and also for reporting purposes.
- In all other cases payment will be made by way of a crossed Account Payee cheque/demand draft only or electronically.
- Currency Declaration Form (CDF) will be insisted upon wherever applicable.
- In case of any suspicion of money laundering or terrorist financing, irrespective of the amount involved, enhanced customer due diligence shall be applied.

CDF need not be insisted upon for purchases of currency notes up to \$ 5000 or equivalent or currency notes and TCs up to \$ 10,000 or equivalent

## 6.2.4 Sale of Foreign Exchange

- Passport shall be the sole identification document for sale of foreign exchange in the form of currency notes, Travelers cheques or travel cards irrespective of the amount involved.
- A copy of the Passport and its address page thereof, duly certified, by the holder would be kept on record after verifying the original.

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- If the address on the passport and permanent address are different, documentary evidence relating to permanent address also will be obtained and kept on record.
- Sale will be affected only against personal application/identification and verification of the identification document i.e. the customer personally approaches us, fills in the prescribed application form, signs the same in our presence and the customer is identified with reference to his passport by comparing both his photograph and signature thereon.
- Payments in excess of Rs. 50,000/- shall invariably be received by way of a crossed account payee cheque drawn on the account of the customer or banker's cheque or pay order or a demand draft or through other banking channels. Payment by way of Debit/Credit Cards will be accepted provided it is of the customer and not of some third party.
- It will be ensured that the release of foreign exchange in the form of currency notes and travelers cheques/travel cards is within the eligibility limits prescribed by the Regulator.
- Sales on one or more occasions for a single journey/visit will be treated as a single transaction for the purpose of acceptance of cash in Indian Rupees/release of exchange in the form of currency notes etc.
- While releasing exchange against unspent balance in rupees i.e. reconvertng the balance amount in rupees to travelers who had encashed foreign exchange earlier, it will be ensured that such requests are duly supported by original Encashment Certificates wherever applicable.
- For remittance, ie by ways of DD, TT, SWIFT transfer other types of ID documents can be accepted.

## 6.2.5 Sales to Legal Entities i.e Corporate / Firms

Requests for release of exchange from legal entitles such as Companies/Firms etc. will be considered only after a one-time registration of such legal entities by obtaining the following documents:

- Proof of ID and address
- PAN Card of the Company/Firm
- Letter/Board Resolution in the case of Companies for undertaking transactions with us whereas in the case of Partnership Firms, it could be a letter signed by all the Partners conveying their decision to deal with us in foreign exchange.
- Letter/Power of Attorney or Board Resolution in lieu thereof in favor of the officers/ employees who are authorized to sign applications/letters for release of foreign exchange.
- Name, designation, specimen signature, photo IDs and proof of address of the Power of Attorney holders/persons named in the Board Resolution.
- A brief note on the business activities of the company/firm.

In the case of Proprietorship Firms, Firms of self-employed persons such as CAs, Architects etc., and the following documents will be called for from KYC angle: -

- Copy of license under the Shops & Establishments Act with regards to address proof.
  - Copy of Rent Receipt/Lease Agreement or document of title to the premises from where the firm is operating in case it is not having license under the Shops & Establishments Act.
  - Copy of Certificate of Registration with Institute of CAs, Institute of Cost Accountants of India, Institute of Company Secretaries of India, Indian Medical Council, Food & Drug Control Authorities.
  - Certificates issued by Tax Authorities such as Income Tax, Sales Tax, VAT, Service Tax, Profession Tax etc.
- PAN Card

While the above documents will be obtained as a onetime measure and kept on record, it will be ensured that any changes thereof are intimated to us and our records updated. Due diligence will be undertaken on an ongoing basis so as to know the nature of business activities of the company/firm and its need for purchase of foreign exchange. Additional due diligence will be carried out in case of any change in the pattern of

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business of the entity, sudden change in the quantum of exchange drawn and the frequency thereof etc. We will always be vigilant against business entities being used by individuals as a 'front' for undertaking transactions. In all doubtful cases, we will examine the control structure of the entity, determine the source of funds and identify the natural persons who have a controlling interest and who comprise the management. The above additional requirements will be considered necessary depending upon the risk perception. For example, it may not be necessary to identify the shareholders in the case of listed companies.

Existing business relationships of those entities who have been dealing with us regularly will be reviewed in the light of the above and the business relationship with those entities who fail to comply with the revised requirements would be cancelled and a Suspicious Transactions Report sent to FIU.

## Note:

We may not, however, review cases of entities who had drawn exchange only once or twice in the past unless they approach us again for exchange.

### 6.2.6 Dealings with Trusts/Nominees or Fiduciary customers

Trust/nominee or fiduciary relationship can be used to circumvent the customer identification procedure. In all cases where the customer is acting on behalf of another person as trustee/nominee or any other intermediary, we shall insist for satisfactory document of identity of intermediaries and other persons on whose behalf they are acting. Also, we shall obtain the nature of the trust or other arrangements in place. In the case of trusts, we shall identify the trustees and settlers of trust (including any person settling assets to the trust), grantors, protectors, beneficiaries and signatories. We shall also identify the beneficiaries wherever necessary by calling for document of identity of such beneficiaries. In the case of foundations, steps shall be taken to verify the founder managers/directors and the beneficiaries.

Care will be taken to ensure that trusts/nominees or fiduciary relationships are not used as a 'front' for money laundering

### 6.2.7 Transactions by Politically Exposed Persons (PEPs)

PEPs are 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/Government/ Judicial/Military Officers, Senior Executives of State owned corporations, important political party officials etc. Basically, they will all be non-residents and their details would be easily available on public domain. Before accepting PEP as a customer, we will identify him/her and also find out his/her sources of funds. Such customers will be subject to enhanced due diligence and will be dealt with at highest level in the organization. Their transactions will be monitored on an ongoing basis and the above rule will be applicable even while dealing with the family members or close relatives of the PEPs and also to those who become PEP subsequent to establishing relationship with us as a customer.

## 6.3 Monitoring of Transactions

Monitoring of transactions on an ongoing basis will be a key element of KYC procedures so as to have an effective control and reduce the risk. Based on the risk perceptions, care will be taken to see whether there is any change in the pattern of transactions, the activity of the customer is reasonable etc. and enhanced due diligence will be applied to all complex, unusually large transactions and unusual patterns which have no apparent economic or visible lawful purpose. Necessary limits will be placed while delegating powers to

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the officials for handling transactions and cases beyond a particular limit will be approved by someone higher to the persons handling the transaction. The transactions will be reviewed from time to time so that merely establishing relationship will not let the customer out of scrutiny.

Attempted transactions/failed transactions.

We shall not undertake transactions where we are unable to apply appropriate KYC measures due to:

- a) Non-furnishing of information by the customer
- b) Non-co-operation by the customer

Such cases will be reported to FIU by way of a STR even if the transaction is not put through.

## 6.3.1 Monitoring Policy for individual customers of Forex business

Sr. No.	Policy for High Risk Individual Customers	Policy for Medium Risk Individual Customers	Policy for Low Risk Individual Customers
1	Transaction done with Nationals or NRI's from FATF Non-Compliant countries where the value of transaction exceeds \$ 3000 or equivalent on a single occasion or the number of transactions in a calendar month exceeds 2.		All other Customers not falling under Medium & High Risk categories.
2	Transaction done with Nationals or NRI's from High Risk Countries where the value of transaction exceeds \$ 5000 on a single occasion or the number of transactions in a calendar month exceeds 3.	Transactions done with Nationals or NRI's from Medium Risk Countries where the value of Transaction exceeds \$ 3000 equivalent or the number of transactions in a Calendar month exceeds 3.	
3	Transactions with person located in High Risk States in India where the value of transactions exceeds \$ 10000/- or the number of transaction in a calendar month exceeds 6. Non-Face to Face Customers.	Transactions done with Residents located in High Risk States in India where the value of transaction exceeds \$ 7500/- or the number of transactions in a Calendar month exceeds 4.	
4	Transactions with persons located elsewhere in India exceeding USD 20,000/- or the number of transactions exceed 8 in a calendar month. (will also be treated as High Net Worth Individuals).	Transactions done with persons other than in High Risk States exceeding \$ 15000 or the number of transactions in a calendar month exceeds 3.	

**Note:** This Risk classification will specifically be used to identify consumers falling under the above risk category and enhanced due diligence (such as verification of the information provided by beneficiary, obtaining additional information regarding purpose of transaction – if found missing in the source document) will be conducted on the Higher Risk category. Where information is unavailable after frequent follow ups or beneficiary is non-contactable, such data will be reported to FIU as STR.

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## 6.3.2 Monitoring Policy for other than Individuals

SR.NO.	Policy for High Risk Entity	Policy for Medium Risk Entity	Policy for Low Risk Entity
1	<p>a) Any entity importing from or exporting to FATF non-compliant countries and other High-Risk countries.</p> <p>b) Entity availing Business Travel second time in the month.</p>	<p>Small and Medium Enterprises.</p> <p>Entity purchasing more than 3 times or \$ 50,000/- in a month.</p>	<p>NPO's/NGO's promoted by United Nations.</p> <p>Rs.10 Lakhs per transactions and /or more than 5 transactions in a month.</p>
2	<p>Trust, Charities, NGOs / NPOs (other than UN Promoted), Organizations receiving donations, Religious Establishments.</p> <p>Any sale request to be cleared by the Business Head and Principal Officer.</p>	<p>Co-operative Banks.</p> <p>Rs.10 Lakhs per transactions and/or more than 5 transactions in a month.</p>	<p>Semi Government Companies.</p> <p>Rs.10 Lakhs per transactions and /or more than 5 transactions in a month.</p>
3	<p>Business Establishments Located in sensitive Areas in major cities of Mumbai, Delhi, Kolkata, Chennai, Bangalore, Ahmadabad, Hyderabad.</p> <p>Entity availing Business Travel second time in the month.</p>	<p>Firms, Companies, Organizations having branches / subsidiaries in UAE, Saudi Arabia, Sudan or a Branch / Subsidiary in India of a Company in UAE, Saudi Arabia or Sudan.</p> <p>Rs.10 Lakhs per transactions and/or more than 3 transactions in a month.</p>	<p>Public Sector Undertakings.</p> <p>Rs.10 Lakhs per transactions and /or more than 7 transactions in a month.</p>
4	<p>Business Establishments located in the state of Jammu and Kashmir.</p> <p>Entity availing Business Travel second time in the month.</p>		<p>Public Companies listed on a recognized stock exchange.</p> <p>More than US \$1,25,000/- in a month.</p>
5	<p>Firms, Companies, Organizations having Nationals or Residents of FATF designated countries viz. Iran, Uzbekistan, Pakistan, Turkmenistan, Sao Tome and Principe, Angola, Ecuador, Ethiopia and Democratic People's Republic of Korea (DPRK i.e North Korea). and High-Risk Countries like Afghanistan and Nigeria as</p>		<p>Banks under AD I Category.</p> <p>No Limits</p>

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	directors on their Boards or as their Partners or Proprietors or having branches / subsidiaries in these FATF designated countries and High Risk Countries. Entity availing Business Travel second time in the month.		
6			AD II more than Rs.15 Lakhs per transaction and/or 10 transactions per month.
7			FFMC / Franchisee more than Rs.10 Lakhs per transaction and /or 5 transactions per month.

## 6.4 Risk Management

An effective internal control system has been put in place to

- Approve transactions
- Monitor transactions both online and off line

While the offsite monitoring of transaction will be online through the system, onsite surveillance will be by deputing senior officials to the branches to conduct a surprise inspection. This will be in addition to the Concurrent Audit System already in place. The staff will be trained, and refresher courses will be conducted to enable them to update their knowledge. The risk profiles of the customers will be reviewed and updated from time to time.

The mandatory Concurrent Audit is entrusted to firms of outside Chartered Accountants with instructions to check all the transactions and to ensure that the transactions are undertaken in compliance with the anti-money laundering guidelines and necessary reports are furnished to the authorities concerned in time. The same has been working satisfactorily. A few branches are audited by our own staff. The staff inspecting the branches is rotated so that the same Inspector is not deputed for inspection of the same branch i.e. branches and inspectors are rotated. Further, Inspection of the branches in one Region by Inspectors from other Regions is also done frequently. Audit Programme/Schedules are kept confidential so as to avoid any tip off.

Compliance on the lapses, if any, recorded by the concurrent auditors shall be put up to the top management. We will also ensure to obtain from the Statutory Auditors a certificate on compliance with the KYC/AML/CFT guidelines

### 6.4.1 Principal Officer

The principal officer shall be responsible for monitoring and reporting of all transactions and sharing of information as required under the law. He will be responsible for developing appropriate compliance management arrangements across the full range of AML/CFT areas. He will maintain close liaison with the ED, RBI etc. He will have timely access to customer identification data, transaction records and other relevant information. He will act independently without fear or favor and report to the top management. He will also be responsible for submission of CTR/ STR to FIU.

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## 6.4.2 Maintenance of Records

In compliance with Section 12 of PMLA and the rules made thereunder, all the records such as copies of IDs, address proof etc. will be maintained and preserved for the period of preservation mentioned therein. The records/information will be maintained both in soft copy form as well as hard copy so as to retrieve the same at a short notice if required by the law enforcing agencies, regulators etc.

## 6.4.3 Reporting to FIU-India

Information relating to cash and suspicious transactions in the prescribed formats will be furnished on due dates to FIU India. The reports will be transmitted electronically, duly signed digitally by the Principal Officer, as prescribed.

- Cash Transaction Report (CTR)
- CTR for each month would be submitted to FIU by 15th of the succeeding month.
- The CTR shall not contain inter-office/branch transactions; but only transactions carried out with the customers.
- Each branch shall have a copy of the RUC furnished by the Head Office for verification by the Auditors.
- CTR's shall be maintained and preserved for the period as per the Rules applicable for maintenance of records.
- Suspicious Transactions Report (STR)
- While determining suspicious transactions, definition of suspicious transaction contained in PML Rules will be followed.
- All attempted/failed transactions will also be reported in STR irrespective of the amount involved.
- STRs will be made if we have reasonable ground to believe that the transaction including an attempted transaction involves proceeds of crime irrespective of the amount of transaction and/or any prescribed threshold limit.
- STR will be furnished within 7 days of arriving at a conclusion that any transaction, including an attempted one, whether cash or non-cash or a series of transaction integrally connected are of suspicious nature.
- Indicative list of suspicious transactions:
  - 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
  - Size and frequency of the transactions is high considering the normal business of the customer
  - Change in the pattern of transactions
  - Customer approaching for transacting business beyond banking hours or on bank holidays and requesting for acceptance of cash in excess of the permissible limit on the grounds of non-availability of banking facilities with a promise to get the cash exchanged for cheque/demand draft at a later date.

STR being a confidential document, the details of having filed STR shall not be disclosed to the customer i.e. tipping off to the customer will not be allowed.

## 6.4.4 Customer Education

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Customers normally may not be willing to part with information and many a time the customers will doubt the need for collecting the information and the purpose for the same. They may also fear that the information so furnished will be misused. We shall, therefore, educate the customers about the need for collecting such information by way of display of the Rules & Regulations of the Regulator, distribution of leaflets/pamphlets etc. and such situations shall be handled very tactfully for which the staff have been adequately trained

## 6.4.5 Training of employees

The employees handling the business shall have full knowledge of the product as well as its procedure/rules & regulations thereof so that handling of customers and putting through transactions becomes much easier. Necessary class room/on the desk/ job training besides theoretical training shall be provided to the employees at all levels. Necessary reading material in the form of Manuals/Book of Instructions relating to various products such as Money Changing/Money Transfer etc. have been made available to the employees both in soft copy and hard copy form to enable them to read, understand and update their knowledge. Further, the employees shall be given refresher training from time to time so as to update them with the changes in the rules and regulations. We will engage outside Guest faculty besides well trained and experienced staff drawn from our own organization for training purposes.

## 7 Conclusion

Money laundering and terrorist financing pose a serious threat to the society and to the soundness of the international financial system. Combating these threats requires a coordinated and co-operative approach. Remaining diligent and combining our efforts are the two pre-requisite conditions to successfully meet the challenges ahead.

Financial institutions around the world are increasingly recognizing the importance of implementing and maintaining adequate controls and procedures to ensure that on a reasonable and practicable basis they know with whom they are conducting business. The consequences of any lack of vigilance in this area can be severe. Facilitating a financial transaction while willfully or recklessly disregarding the source of a customer's funds or the nature of a customer's transaction can result in criminal and/or civil liability for the employee and/or our Company.

Our Company is committed to support the initiatives of Government of India and RBI in their resolve to fight Money laundering and Financing of Terrorism

## 8 Records

Document	Location	Duration of Record	Responsibility
Customer Registration Form	Branch	5 years	BIC/ Branch Manager
Corporate Booklet	Branch	5 years	BIC/ Branch Manager
Detail Correction Request Form	Branch	5 years	BIC/ Branch Manager